Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

CSC CONSULTING, INC.,

Petitioner,

v.

TINGLEY SYSTEMS, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The First Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

This petition presents the following questions for review:

1. May cases consolidated pursuant to Rule 42, Fed. R. Civ. P., be treated as a single action where doing so would diminish or enlarge the rights of a party?

2. In the wake of this Court's decision in *Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394 (1981), are policy or equitable considerations material to determining the preclusive effect of a federal judgment under the doctrine of res judicata?

3. Does a federal judgment bar a plaintiff which asserted claims in the action thereby concluded from prosecuting claims arising out of the same transaction in a separate action brought against a defendant who, though not a party to the concluded action, was alleged to be a co-conspirator with the defendant to the concluded action, was a co-perpetrator with that defendant of the jointly caused harm alleged by the plaintiff in the second action, and otherwise shared a close or significant relationship with the defendant in the concluded action, in the absence of a good reason why both defendants were not joined as parties to the concluded action?

PARTIES TO THE PROCEEDINGS BELOW

The following constitute all of the parties to the proceedings in the Court of Appeals for the First Circuit:

Bay State Health Management, Inc. f/k/a Bay State HMO Management, Inc.,
Defendant-Appellee, Case No. 96-1574;

Blue Cross and Blue Shield of Massachusetts, Inc.,
Defendant-Appellee, Case No. 96-1574;

CSC Consulting, Inc. f/k/a CSC Partners, Inc.,
Defendant-Appellee, Case No. 98-2334; and

Tingley Systems, Inc.,
Plaintiff-Appellant, Case No. 98-2334, Plaintiff-Appellant, Case No. 96-1574.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, CSC Consulting, Inc. hereby identifies as follows its parent corporations and those of the publicly held companies that own 10% or more of its stock: CSC Consulting, Inc. is wholly owned by Computer Sciences Corporation, a publicly held company.

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

The Petitioner, CSC Consulting, Inc., respectfully prays that a Writ of *Certiorari* be issued to review the judgment and opinion of the United States Court of Appeals for the First Circuit entered in this proceeding on June 30, 1999.

OPINIONS BELOW

The opinion of the Court of Appeals for the First Circuit is reported at 181 F.3d 174 (1st Cir. 1999) and is reproduced as Appendix A to this Petition. The opinion of the district court is reported at 919 F.Supp. 48 (D. Mass. 1996) and is reproduced as Appendix B. The First Circuit's denial of rehearing *en banc* is unreported and is reproduced as Appendix C.

STATEMENT OF JURISDICTION

The opinion of the Court of Appeals for the First Circuit was issued and judgment was entered on June 30, 1999. The First Circuit denied a timely petition for rehearing *en banc* on August 3, 1999. The First Circuit's mandate was stayed on August 20, 1999.

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

STATUTORY AND OTHER PROVISIONS INVOLVED

At the time the Federal Rules of Civil Procedure were adopted, the Rules Enabling Act, ch. 651, § 1, 48 Stat. 1064 (1934) (current version at 28 U.S.C. § 2072), provided that

> the Supreme Court of the United States shall have the power to prescribe, by general rules, for the district courts of the United States and for the courts of the District of Columbia, the forms of process, writs, pleadings, and motions, and the practice and procedure in civil actions at law. Said rules shall neither abridge, enlarge, nor modify the substantive rights of any litigant. They shall take effect six months after their promulgation, and thereafter all laws in conflict therewith shall be of no further force or effect.

Federal Rule of Civil Procedure 42(a) provides:

> Consolidation. When actions involving a common question of law or fact are pending before the court, it may order a joint hearing or trial of any or all the matters in issue in the actions; it may order all the actions consolidated; and it may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

STATEMENT OF THE CASE

A. The Facts Material To This Petition

Pursuant to an agreement dated March 14, 1989, respondent Tingley Systems, Inc. ("TSI") licensed certain computer software (the "TSI Software") to Bay State

HMO Management Inc. ("Bay State"). The TSI Software was a data processing system designed specifically for use by health insurance providers, such as Bay State, in connection with the operation of their business. While operating the TSI Software under its license, Bay State began to design and develop software systems to supplement, and ultimately to replace, the TSI Software. These systems included software packages known as Point of Sale ("POS"), Decision Support System ("DSS"), and "BayStar." To assist it in the development of these systems Bay State retained the services of petitioner CSC Consulting, Inc. ("CSC") to provide computer technology consulting services and systems design, development and integration services.

On June 17, 1993, TSI filed suit against Bay State arising out of Bay State's alleged misuse of the TSI Software in the design and implementation of the software systems in connection with which it had retained CSC's services. This case was filed in the United States District Court for the Middle District of Florida, but was subsequently transferred to the District of Massachusetts and consolidated with an action which Bay State had filed against TSI in that court six days earlier. These consolidated cases are hereafter referred to as the "Bay State cases." TSI's complaint in the Bay State cases, as amended, alleged that TSI maintained "the source code (including, but not limited to, structure, sequence, organization, file and field structures and file and field names and definitions) and documentation for the TSI Software as a trade secret." App. 43. TSI alleged that Bay State used the TSI Software to develop the POS, DSS and BayStar systems. App. 47, 50-51. TSI alleged that "POS and DSS incorporate the TSI Software file structure and

copy substantial portions of the TSI Software." App. 47. TSI also alleged that Bay State "copied and incorporated substantial portions of TSI's source code and file structures for the TSI Software in the BayStar programs." App. 51. Based upon these allegations, TSI asserted claims against Bay State for, among other things, misappropriation of TSI's trade secrets in the TSI Software, App. 58-62, and infringement of TSI's copyrights in the TSI Software and related documentation. App. 62-64.

On February 9, 1995, while the Bay State cases were pending, but after the district court had denied TSI's motion to extend the discovery period in those cases so that it could pursue additional discovery that it characterized as "critical to [its] case," App. 114, 117, TSI filed a separate action against CSC in the United States District Court for the District of Massachusetts. This action is hereafter referred to as the "CSC case." In its complaint in the CSC case, TSI asserted a second series of federal and state law claims arising out of the alleged disclosure and use of the TSI Software and documentation in the development of the POS, DSS and BayStar systems. App. 72-95. The jurisdiction of the district court was based on diversity under 28 U.S.C. § 1332, upon the presence of a federal question under 28 U.S.C. § 1331, and upon the presence of a copyright claim and related state law claims under 17 U.S.C. § 501 and 28 U.S.C. § 1338. App. 73.

B. The Proceedings Below

1. Proceedings Before the District Court

Upon filing the CSC case, TSI filed a motion seeking leave to pursue, on an expedited basis, much of the discovery which the district court had refused to allow it

to pursue in the Bay State cases due to the expiration of the discovery period. TSI also promptly filed a motion under Rule 42, Fed. R. Civ. P., seeking to consolidate the CSC case with the Bay State cases. Pursuant to TSI's motion, the CSC case was consolidated with the Bay State cases on July 11, 1995.

On September 11, 1995, the parties to the Bay State cases filed a Stipulation and Order of Dismissal in the Bay State cases pursuant to Rule 41(a), F. R. Civ. P. This stipulation provided that all claims and counterclaims alleged in the Bay State cases were "dismissed with prejudice in all respects." App. 119-21. The district court ordered the dismissal with prejudice of those claims and counterclaims pursuant to this stipulation on September 12, 1995. *Id.*

On October 17, 1995, CSC filed a motion for summary judgment in the CSC case. That motion was premised entirely upon the application of the doctrine of res judicata to the judgment of dismissal to which the parties to the Bay State cases had stipulated. On January 2, 1996, after the briefing upon CSC's summary judgment motion was substantially completed and while the motion was pending before the district court, TSI filed a motion under Rule 60(b), F. R. Civ. P., seeking "limited relief" from the judgment to which it had stipulated in the Bay State cases (the "motion for limited relief"). This motion sought to vacate the dismissal with prejudice to which TSI had stipulated in the Bay State cases so as to avoid the application of the res judicata doctrine in the CSC case.

By order dated March 19, 1996 the district court granted CSC's motion for summary judgment in the CSC

case and denied TSI's motion for limited relief in the Bay State cases. On November 4, 1998, following the resolution of the counterclaim which CSC had alleged against TSI in the CSC case, the district court entered a final judgment dismissing TSI's claims in the CSC case pursuant to its March 19, 1996 order granting CSC's summary judgment motion.

2. Proceedings Before the Court of Appeals

On April 16, 1996, TSI filed a notice of appeal from the district court's denial of its motion for limited relief in the Bay State cases. On August 15, 1996, the court of appeals stayed further proceedings upon TSI's appeal from the district court's denial of its motion for limited relief in the Bay State cases pending the district court's final disposition of the CSC case. On November 16, 1998, TSI filed a notice of appeal from the district court's judgment dismissing its claims in the CSC case. On January 21, 1999, the court of appeals ordered that the appeal in the CSC case be consolidated for purposes of briefing and oral argument with TSI's appeal from the district court's denial of its motion for limited relief in the Bay State cases. On June 30, 1999, the First Circuit reversed the judgment entered by the district court in the CSC case and, in view of that disposition, dismissed TSI's appeal from the district court's denial of its motion for limited relief in the Bay State cases as moot.

REASONS FOR GRANTING THE WRIT

I. The Writ Should Be Granted Because The Decision Of The First Circuit Construing The Effect Of The District Court's Consolidation Order Conflicts With The Decisions Of Other Courts Of Appeals And With Relevant Decisions Of This Court And Raises An Important Question Of Federal Law.

A threshold requirement for the application of the res judicata doctrine is "a final judgment on the merits in an action." *Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394, 398 (1981). In holding that the judgment entered in the Bay State cases barred TSI from litigating the claims which it asserted in the CSC case, the district court determined that its prior order consolidating the CSC case and the Bay State cases did not deprive those cases of their separate identities and, therefore, that the judgment entered in the Bay State cases was a final judgment on the merits entitled to preclusive effect under the res judicata doctrine. App. 25. In reversing, the First Circuit reached the opposite conclusion, holding that "[t]here was no final judgment on the merits" in the Bay State cases due solely to the consolidation of those cases with the CSC case. App. 18.

This Court considered the effect of the consolidation of cases by a federal district court in two cases decided prior to the enactment of the Rules Enabling Act, ch. 651, § 1, 48 Stat. 1064 (1934), and the adoption of Rule 42 of the Federal Rules of Civil Procedure pursuant to that Act. The first of these cases, *Mutual Life Ins. Co. v. Hillmon*, 145 U.S. 285 (1892), involved three actions brought by the same plaintiff against three different defendants. The cases were consolidated for trial. At trial, each defendant claimed the right to challenge three jurors pursuant to a

federal statute which provided each party with three such challenges, and also provided that in cases involving multiple plaintiffs or defendants, all parties on each side were to be deemed a single party for the purposes of juror challenges. The trial court ruled that, due to the consolidation order, the defendants were to be deemed a single party, and were thus entitled to exercise only three peremptory challenges in total. On appeal, the Court held that the trial court had erroneously limited the defendants' peremptory challenges because, notwithstanding the trial court's consolidation order, "the causes of action remained distinct, . . . and no defendant could be deprived, without its consent, of any right material to its defence . . . to which it would have been entitled if the cases had been tried separately." *Id.* 293.

The Court's holding in *Mutual Life* was reaffirmed in *Johnson v. Manhattan Ry. Co.*, 289 U.S. 479 (1933). *Johnson* involved conflicting orders for the appointment of receivers in two different suits pending before different judges. In the second-filed suit, the court entered an order consolidating the two cases and then a second order vacating the orders for the appointment of receivers which had been entered by the court in the first-filed case. The Court's opinion turned on whether the plaintiffs in the second case were engaged in an impermissible collateral attack on the orders entered by the court in the first case. The Court observed that the trial judge in the second case conceived that the nature of the plaintiffs' attack on the orders entered in the first case could be made direct by consolidating the two suits. The Court rejected this artifice, observing that "the consolidation did not alter the nature of the attack. Under the statute, . . . consolidation is permitted as a matter of

convenience and economy in administration, but does not merge the suits into a single cause, or change the rights of the parties, or make those who are parties in one suit parties in another." *Id.* 496-97.

Assertion of the res judicata doctrine as an affirmative defense is a litigant's right. *Moitie*, 452 U.S. at 398. Consequently, the First Circuit's treatment of the Bay State cases and the CSC case "as a single action for res judicata purposes," App. 9, deprived CSC of its right to rely upon the judgment entered in the Bay State cases as a bar to the litigation of the claims alleged against it in the CSC case. This Court should grant *certiorari* in this case in order to consider whether, in the wake of the enactment of the Rules Enabling Act and the adoption of Fed. R. Civ. P. 42, consolidated cases may be treated as a single action where doing so diminishes or enlarges the rights of a party to one of the cases.

This issue is particularly worthy of this Court's consideration in light of the various conflicting approaches which the courts of appeals have taken to determining the effect of consolidation orders upon the separate identities of consolidated cases since the adoption of Rule 42. As one commentator has observed,

> [w]hile the bench and bar look to the U.S. Supreme Court to bring light and direction to dissonant circuits, such guidance has not come forth with respect to the effect of consolidation under Rule 42. Since 1933 and the pre-rules case of *Johnson v. Manhattan Ry.* the Supreme Court has not spoken in terms that would encourage, let alone compel harmony among the circuits.

G. Virden, "Consolidation Under Rule 42 of the Federal Rules of Civil Procedure: The U.S. Courts of Appeals

Disagree on Whether Consolidation Merges the Separate Cases and Whether the Cases Remain Separately Final for Purposes of Appeal," 141 F.R.D. 169, 209 (1991) (footnotes omitted). In lieu of any decision of this Court since *Johnson* directly addressing this issue,[1] the jurisprudence developed by the courts of appeals regarding the effect of consolidation under Rule 42 has become "a confused, conflicting, and quite unsatisfactory body of law." Virden, 141 F.R.D. at 181. This body of law includes decisions which conflict not only from one court of appeals to another, but also, as the First Circuit's decision in this case aptly demonstrates, from one procedural context to another, as well as from one panel to another within the

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[1] In the absence of a decision on point by this Court, there has been an attempt to glean this Court's post Rule 42 view of the effect of a district court's consolidation order from various of its decisions which consider arguably related questions. For example, one commentator has argued that the decisions in *Secretary of the Interior v. California*, 464 U.S. 312 (1984), and *Bowsher v. Synar*, 478 U.S. 714 (1986), demonstrate that "the Supreme Court itself has declined to implement the broad language of *Johnson*." J. Steinman, "The Effects of Case Consolidation on the Procedural Rights of Litigants: What They Are, What They Might Be Part 1: Justiciability and Jurisdiction (Original and Appellate)," 42 U.C.L.A. L. Rev. 717, 735 (1995) (footnote omitted). *See also Bergman v. City of Atlantic City*, 860 F.2d 560, 565-66 n. 9 (3d Cir. 1988); *Sandwiches, Inc. v. Wendy's Int'l, Inc.*, 822 F.2d 707, 710 (7th Cir. 1987). Another commentator has dismissed such an interpretation of *Secretary of the Interior v. California* and *Bowsher*. Virden, 141 F.R.D. at 182-83 n. 71. Relying primarily on this Court's decision in *Butler v. Dexter*, 425 U.S. 262 (1976) (*per curiam*), this commentator argues that cases decided by this Court since the adoption of Rule 42 suggest that the Court continues to adhere to *Johnson*'s view of the effect of a district court's consolidation order. Virden, 141 F.R.D. at 182.

same court of appeals. These decisions reveal fundamentally different approaches to whether and in what circumstances consolidated cases may be treated as a single action. At one extreme, the Sixth Circuit has repeatedly held that *Johnson* has survived the adoption of Rule 42, and that consolidated cases therefore may not be treated as a single action where doing so would change the rights of any party to one of the consolidated cases. The court has applied this reasoning both within the context of determining whether a judgment entered in one of two (or more) such cases may be appealed as a final decision of a district court under 28 U.S.C. § 1291, *Beil v. Lakewood Eng'g & Mfg. Co.*, 15 F.3d 546, 551 (6th Cir. 1994); *Kraft, Inc. v. Local Union 327*, 683 F.2d 131, 133 (6th Cir. 1982), and within other procedural contexts. *Lewis v. ACB Business Servs., Inc.*, 135 F.3d 389, 412-13 (6th Cir. 1998); *Stacey v. Charles J. Rogers, Inc.*, 756 F.2d 440, 442 (6th Cir. 1985). However, even the Sixth Circuit has not been entirely consistent in its refusal to treat consolidated cases as a single action where doing so would alter the rights of the parties. *Compare Beil*, 15 F.3d at 551 (stating broadly that "[t]his court has held that consolidated cases remain separate actions"), *with Advey v. Celotex Corp.*, 962 F.2d 1177, 1181 (6th Cir. 1992) ("we do not believe that the parties suffer an injustice by treating the consolidated cases as one for the purpose of considering the timeliness of the notice of appeal").

The Third Circuit, on the other hand, takes the position that although this Court's holding in *Johnson* is binding notwithstanding the adoption of Rule 42, it is not offended by treating consolidated cases as a single action in certain limited circumstances even where the rights of the parties are changed by such treatment, provided that

those rights are neither diminished nor enlarged. In its seminal decision in *Bergman v. City of Atlantic City, supra,* the Third Circuit announced its view that a judgment entered by a district court in a consolidated case is not necessarily a final decision for purposes of appeal. The court instead held that the finality of judgments entered in consolidated cases, and consequently the rights of the parties to such cases to pursue an immediate appeal from such judgments, must be determined on a case-by-case basis. *Bergman,* 860 F.2d at 567. Although, in the course of its decision, the Third Circuit questioned whether this Court's holding in *Johnson* had survived the adoption of Rule 42, *id.* 565 n. 9, the *Bergman* court nevertheless made clear that it did not regard its holding in the case as being inconsistent with the principle underlying *Johnson.* To the contrary, having dismissed the appeal before it, the *Bergman* court explained that its decision was without prejudice to the appellants' right to seek certification for an interlocutory appeal pursuant to Fed. R. Civ. P. 54(b). *Id.* 567. The court reasoned that

> [i]t is at this stage that the Supreme Court decision in *Johnson* does have some effect, for if the district court were powerless to certify the [appellants'] action for appeal solely because of the consolidation with the [companion] action, the two actions would indeed have lost their separate identities, and the [appellants'] rights under the law would be diminished.

Id. 567 (footnote omitted).

In a subsequent case, the Third Circuit explained that *Bergman*

> held that parties to consolidated cases must await final judgment in the entire consolidated

> lawsuit before pursuing an appeal. In *Bergman*, plaintiffs in one of two consolidated cases appealed a summary judgment ruling while the other case was still pending. The policy against piecemeal appeals and our concerns for efficiency led us to hold that consolidated cases should be treated as one in determining whether a final, appealable order existed. Treating the consolidated cases as a single lawsuit for appeal, however, did not transform the substantive rights of the parties; each party retained the right to appeal. We merely required that, for efficiency's sake, parties to consolidated cases must all appeal at the same time.

Bradgate Assocs., Inc. v. Fellows, Read & Assocs., Inc., 999 F.2d 745, 750 (3d Cir. 1993) (page citations to *Bergman* omitted). The Third Circuit has since confirmed its view that "*Johnson* remains the 'authoritative' statement on the law of consolidation." *Newfound Management Corp. v. Lewis*, 131 F.3d 108, 116 (3d Cir. 1997) (*quoting* 9 Wright & Miller, *Federal Practice & Procedure* § 2382 (2d ed. 1995)). The Third Circuit construes *Johnson* as prohibiting the treatment of consolidated cases as a single action where doing so would diminish or enlarge the rights of a party. *Id.* 117. *See also Cella v. Togum Constructeur Ensemleier en Industrie Alimentaire*, 173 F.3d 909, 912-13 (3d Cir. 1999); *Bradgate*, 999 F.2d at 750-51.

The Third Circuit is joined in its view that *Johnson*'s holding remains binding under Rule 42, even though it does not require treating judgments entered in consolidated cases as final for purposes of appeal, by the Fifth Circuit. *Compare Ringwald v. Harris*, 675 F.2d 768, 770 (5th Cir. 1982) (distinguishing *Johnson* in the course of holding that a judgment entered in a consolidated case is not

necessarily subject to appeal under 28 U.S.C. § 1291), *with In re Excel Corp.*, 106 F.3d 1197, 1201 (5th Cir.), *cert. denied*, 188 S. Ct. 159 (1997) (relying on *Johnson* as grounds to vacate district court's order remanding consolidated cases to state court because lower court "erred by merging these suits into a single cause which altered the rights of some of the parties involved").[2] Like the Third Circuit, the Fifth Circuit construes *Johnson* to prohibit the treatment of consolidated cases as a single action where doing so "adversely affect[s] the rights of the [parties]." *In re Excel Corp.*, 106 F.3d at 1201.

The District of Columbia Circuit has adopted a somewhat different approach to the application of *Johnson*. Its decision in *Cablevision Sys. Dev. Co. v. Motion Picture Ass'n*

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[2] Query whether the less-developed jurisprudence of the Second and Ninth Circuits is essentially consistent with the Third Circuit's approach to the question of whether and in what circumstances consolidated cases may be treated as a single action. *Compare Hageman v. City Investing Co.*, 851 F.2d 69, 70-71 (2d Cir. 1988) (holding, without discussing *Mutual Life* or *Johnson*, that there is a "strong presumption" that a judgment entered in a consolidated case is not appealable under 28 U.S.C. § 1291), *with Cole v. Schenley Indus., Inc.*, 563 F.2d 35, 38 (2d Cir. 1977) (citing *Johnson* as authority for holding that consolidation "does not change the rights of the parties in the separate suits"); *compare also Huene v. United States*, 743 F.2d 703, 705 (9th Cir. 1984) (adopting bright-line rule that judgments entered in cases consolidated under Rule 42 are not appealable as of right under 28 U.S.C. § 1291 without mentioning *Mutual Life* or *Johnson*), *with Continental Airlines, Inc. v. Goodyear Tire & Rubber Co.*, 819 F.2d 1519, 1523 n. 1 (9th Cir. 1987) (quoting *Johnson* for proposition that consolidation of cases does not destroy diversity jurisdiction in one of them because "consolidation of cases below did not 'make those who are parties in one suit parties in another' ").

of Am., Inc., 808 F.2d 133 (D.C. Cir. 1987), involved three cases consolidated by the trial court. An agency of the United States was a party to one of these cases. The appellant was a party to all three. Under Rule 4(a)(1) of the Federal Rules of Appellate Procedure, a party to a civil case generally must file a notice of appeal from a judgment entered in such a case within thirty days from entry of the judgment. However, this time period is extended by thirty days in any case in which an agency of the United States is a party.

The appellant in *Cablevision* filed notices of appeal in each of the consolidated cases sixty days after the entry of a final order disposing of each case. The appellees moved to dismiss the appeals from the judgments entered in the two cases in which the United States agency was not a party, arguing that the appellant's notice of appeal had not been timely filed in those cases. This argument was premised upon *Johnson*'s admonition that consolidated cases maintain their separate identities. In rejecting this argument, the District of Columbia Circuit acknowledged that "[f]ollowing *Johnson*, courts have repeatedly held that consolidation must not operate to abridge, enlarge or modify the *substantive* rights parties would have if the cases proceeded separately." *Id.* 135 (emphasis added) (citations omitted). Based on this construction of the holdings of other courts which had applied *Johnson*, the *Cablevision* court concluded that *Johnson* was inapposite to the case before it, reasoning that "we do not believe . . . that the right to be relieved of the risk of appeal within 30 rather than 60 days qualifies, in the circumstances at issue, as a substantial right within the compass of the *Johnson* principle." *Id.* 136.

Under the District of Columbia Circuit's construction of *Johnson*, therefore, consolidated cases may be treated as a single action unless doing so changes a *substantial* right of one of the parties. Similar language has appeared in other authorities considering *Johnson*. *See, e.g., Harcon Barge Co. v. D & G Boat Rentals, Inc.*, 746 F.2d 278, 287 (5th Cir. 1984), *reh'g en banc on other grounds*, 784 F.2d 665 (5th Cir.), *cert. denied*, 479 U.S. 930 (1986); 5 *Moore's Federal Practice* ¶ 42.02[3] (2d ed. 1996). However, no court has yet articulated a principle for distinguishing those rights which are "substantial" for purposes of this test from those which are not. In the absence of such a standard, the District of Columbia Circuit will presumably make this determination on a case-by-case basis.

The approach of the Eighth Circuit is also *sui generis*. Certain decisions in that Circuit rely on *Johnson* as authority for the proposition that consolidation under Rule 42 does not merge lawsuits into a single action or change the rights of the parties. *United States v. Altman*, 750 F.2d 684, 695 (8th Cir. 1984); *DeGraffenreid v. General Motors Assembly Div.*, 558 F.2d 480, 486 (8th Cir. 1977). More recent cases, however, posit a distinction between cases consolidated for purposes of convenience and economy and what the Circuit characterizes as "true" consolidation. *Page v. Commissioner of Internal Revenue*, 823 F.2d 1263, 1269 (8th Cir. 1987), *cert. denied*, 484 U.S. 1043 (1988). Under this approach, "true" consolidation occurs where the district court orders that the cases are "formally merged for all purposes," as opposed to "for the purposes of convenience only." *Tri-State Hotels, Inc. v. Federal Deposit Ins. Corp.*, 79 F.3d 707, 711 (8th Cir. 1996). Although cases consolidated for purposes of convenience only maintain their separate identities and presumably may therefore not be treated as a single action to the

detriment of the rights of a party, where "true" consolidation has occurred, the Eighth Circuit regards the cases as *being* a single action, having been " 'merged into one.' " *Id.* (*quoting Mendel v. Production Credit Ass'n of the Midlands*, 862 F.2d 180, 182 (8th Cir. 1988)).

Other circuits appear to take yet a different approach to the question of whether and in what circumstances consolidated cases may be treated as a single action. These circuits seem to regard Rule 42 as having superseded *Mutual Life* and *Johnson* and left the courts of appeals free to write their own jurisprudence regarding the effect of a trial court's consolidation orders under Rule 42 upon a *tabula rasa*. Decisions in these circuits have considered whether cases consolidated under Rule 42 may be treated as a single action exclusively within the context of deciding issues pertaining to appellate procedure and jurisdiction. Within this context, two of these courts have expressly questioned the vitality of *Johnson* following the adoption of Rule 42. *United States v. Tippett*, 975 F.2d 713, 717-18 (10th Cir. 1992); *Ivanov-McPhee v. Washington Nat'l Ins. Co.*, 719 F.2d 927, 929 n. 1 (7th Cir. 1983). In deciding that a party to a consolidated case either may not (under certain circumstances) or does not (under any circumstances) have the right to pursue an immediate appeal from a judgment entered in a consolidated case, the other courts of appeals which comprise this group have simply failed to cite either *Mutual Life* or *Johnson* or to acknowledge any impediment to treating consolidated cases as a single action regardless of the consequences of doing so upon the rights of the litigants. *Spraytex, Inc. v. DJS&T*, 96 F.3d 1377, 1382 (Fed. Cir. 1996); *Eggers v. Clinchfield Coal Co.*, 11 F.3d 35, 39 (4th Cir. 1993). *See also Trinity Broadcasting Corp. v. Eller*, 827 F.2d 673, 675

(10th Cir. 1987), *cert. denied*, 487 U.S. 1223 (1988). Instead, the decisions of these courts consider policy issues to be determinative of whether consolidated cases should be treated as a single action for purposes of appellate jurisdiction under 28 U.S.C. § 1291.

By its decision in this case, the First Circuit has added a new and troubling twist to the chaotic jurisprudence of the courts of appeals with respect to the question of whether and in what circumstances consolidated cases may be treated as a single action. Prior to its decision in the case at bar, the First Circuit, like the Sixth Circuit, had adhered to the view that, under *Johnson*, cases consolidated pursuant to Rule 42 could not be treated as a single case where doing so would change the rights of the parties. In its seminal decision in *In re Massachusetts Helicopter Airlines, Inc.*, 469 F.2d 439 (1st Cir. 1972), the First Circuit relied on *Johnson* in holding that a party to a consolidated case had the right to appeal from a judgment entered in such a case under 28 U.S.C. § 1291.[3] *See also Albert v. Maine Cent. R.R. Co.*, 898 F.2d 5 (1st Cir. 1990); *Federal Deposit Ins. Corp. v. Caledonia Inv. Corp.*, 862 F.2d 378 (1st Cir. 1988). The First Circuit has

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[3] Query whether the First Circuit continues to hold this view in light of certain *dicta* in its decision in this case. In this case, the First Circuit opined that *Massachusetts Helicopter Airlines* is "inapplicable to cases consolidated into one action *for all purposes*." App. 9 n. 3 (emphasis added). By focusing upon the "purposes" for which consolidation was ordered by the trial court as determinative of whether an appeal may be taken from a judgment entered in a consolidated case, the First Circuit's decision in this case signals a departure from its previously held view that, because consolidated cases retain their distinct identities, a judgment entered in such a case is final for purposes of appeal under 28 U.S.C. § 1291.

applied *Johnson*'s view of the effect of consolidation to orders entered under Rule 42 not only within the context of deciding issues pertaining to appellate jurisdiction, but also in other procedural contexts. *See General Contracting & Trading Co. v. Interpole, Inc.*, 940 F.2d 20, 24 (1st Cir. 1991) (rejecting argument that second-filed and consolidated suit was "essentially a counterclaim" and, as such, should not be treated as waiver of defendant's jurisdictional objection on ground that "[o]ur cases are consentient to the effect that, although two cases may be consolidated for purposes of convenience and judicial economy, they retain their separate identities"); *General Contracting & Trading Co. v. Interpole, Inc.*, 899 F.2d 109, 112-13 (1st Cir. 1990) ("consolidation is merely a procedural device that does not merge separate suits or alter their individual character"). Until its decision in this case, therefore, the First Circuit was regarded as "stand[ing] firmly at one extreme among the Circuits" in adhering to *Johnson*'s injunction against treating consolidated cases as a single action when doing so would change the rights of the parties. Virden, *supra*, 141 F.R.D. at 183.

The First Circuit's decision in this case heralds a fundamental departure from the approach hitherto taken by that court to determining the effect of consolidation orders. The decision is premised on the notion that the question whether consolidated cases may be treated as a single action may be answered differently depending upon the procedural context in which the question arises. App. 8. This notion accepts the distinction posited by the Third Circuit and those other courts of appeals which, in applying *Johnson*, have differentiated between construing the effect of consolidation orders for purposes of determining the appealability of judgments and construing

their effect in other contexts. However, the Third Circuit's holding that *Johnson* is inapposite to determining the finality of a judgment entered in a consolidated case is premised on its view that the rights of the parties are neither diminished nor enlarged by treating consolidated cases as a single action for such purposes; both the Third Circuit and the other courts of appeals which have adopted its approach adhere to *Johnson*'s admonition that consolidated cases may not be treated as a single case if doing so would enlarge or diminish the rights of the parties.

The First Circuit's decision is unfettered by such a principle. Under the First Circuit's view, "[t]he idea that consolidated cases maintain their separateness for purposes of determining their appealability is not inconsistent with treating those consolidated cases as a single action for res judicata purposes." App. 8. Nor does the First Circuit regard such treatment of consolidated cases as inconsistent with this Court's decision in *Johnson*.[4] The court instead characterizes *Johnson* as having held merely that consolidated cases are "technically separate actions," a view to which the First Circuit in this case professes allegiance. App. 7. But the First Circuit sees nothing in *Johnson* which precludes it from "overlook[ing]" such "technical separateness" if it chooses, *id.*, thus enabling the court to hold that "the Bay State cases and the CSC case should be treated as a single action for res judicata purposes." App. 12.

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[4] Like other courts of appeals which have considered the effect of consolidation orders since the adoption of Rule 42, the First Circuit's decision in this case makes no mention of this Court's decision in *Mutual Life*.

The First Circuit's opinion articulates no principle, apart from its vague invocation of "equitable considerations," by which to distinguish the circumstances where it believes the "technical separateness" of consolidated cases may be "overlooked" from those where it may not. The principle suggested by this Court's decisions in *Mutual Life* and *Johnson* – *i.e.*, that consolidated cases may not be treated as a single case where doing so would change or diminish the rights of the litigants – was not even mentioned by the First Circuit, and its holding plainly cannot be reconciled with this principle since it deprived CSC of the right to invoke the res judicata doctrine as a defense to the claims asserted against it in the CSC case solely because that case had been consolidated with the Bay State cases. In this respect, the First Circuit's opinion conflicts not only with *Mutual Life* and *Johnson*, but also with the decisions of those other courts of appeals which forbid any construction of a district court's consolidation order which alters, diminishes or enlarges the rights of a party to a consolidated case.

The First Circuit's decision in this case presents an important question of federal law in view of the increasing use of consolidation under Rule 42 as a judicial tool to manage cases which involve overlapping parties and issues. Steinman, *supra*, 42 U.C.L.A. L. Rev. at 718-19. It is the first in which a federal appellate court purporting to follow *Johnson* has held that "technically" distinct cases consolidated under Rule 42 may be treated as a single action without regard to whether such treatment alters or diminishes the rights of a party where such a diminution has indisputably occurred. This Court should grant *certiorari* in this case to decide whether cases consolidated under Rule 42 may be treated as a single action where

doing so would diminish or enlarge the rights of a party to one of the cases, and, specifically, whether a party to a consolidated case has the same right to invoke the preclusive effect of a judgment entered in a companion case under the doctrine of res judicata as that party would have had but for the consolidation of the cases.

II. The Writ Should Be Granted Because The Decision Of The First Circuit Declining To Apply The Res Judicata Doctrine Based On "Policy" And "Equitable" Considerations Conflicts With The Decisions Of Other Courts Of Appeals And With A Relevant Decision Of This Court And Raises An Important Question Of Federal Law.

This case merits review on *certiorari* for a further reason. Entirely apart from its holding that there was no final judgment on the merits in the Bay State cases, the First Circuit opined that the doctrine of res judicata should not be applied so as to bar TSI's claims in the CSC case "[f]or other reasons as well." App. 15. Observing that "[r]es judicata is a judge-made doctrine resting on policy considerations," the First Circuit concluded that the policy considerations underlying the doctrine were not implicated due to the consolidation of the Bay State cases with the CSC case. *Id.* In addition, the court opined that "equitable considerations" also supported its decision to "treat" the Bay State cases and the CSC case "as a single action for res judicata purposes." App. 17.

These passages in the First Circuit's decision conflict with this Court's application of the res judicata doctrine. In *Federated Dep't Stores, Inc. v. Moitie, supra,* this Court reversed a decision of the Ninth Circuit Court of Appeals refusing to apply the doctrine of res judicata to the case

before it on grounds of "simple justice," "public policy" and the fact that only the "technical elements" of the doctrine had been satisfied. Rejecting these grounds as insufficient to avoid the preclusive effect of the res judicata doctrine, the Court stated flatly that "[t]here is simply 'no principle of law or equity which sanctions the rejection by a federal court of the salutary principle of res judicata.' " *Id.*, 452 U.S. at 401 (*quoting Heiser v. Woodruff*, 327 U.S. 726, 733 (1946)).

Other courts of appeals have uniformly construed *Moitie* as rejecting the notion that a federal court could exercise discretion in the application of the res judicata doctrine to a judgment entered by a federal court on "equitable" or "policy" grounds. *See Baptiste v. Commissioner of Internal Revenue*, 29 F.3d 433, 436 (8th Cir. 1994) (construing *Moitie* as holding "that the doctrine of res judicata is not subject to a 'public policy' or 'simple justice' exception, but rather, that public policy dictates preservation of final decisions"), *cert. denied*, 513 U.S. 1190 (1995); *In re Teal*, 16 F.3d 619, 622 n. 6 (5th Cir. 1994) ("a federal court may not abrogate principles of res judicata out of equitable concerns"); *Repola v. Morbark Indus., Inc.*, 980 F.2d 938, 943 (3d Cir. 1992) (construing *Moitie* as having held that the res judicata doctrine "is not subject to a 'public policy' exception"); *Supporters to Oppose Pollution, Inc. v. Heritage Group*, 973 F.2d 1320, 1325 (7th Cir. 1992) ("*Moitie* scotches equitable arguments"); *Equal Employment Opportunity Comm'n v. United States Steel Corp.*, 921 F.2d 489, 492-93 (3d Cir. 1990) ("the district court lacked the authority to put aside the rules of res judicata based on a weighing of the competing equities"); *Shaver v. F.W. Woolworth Co.*, 840 F.2d 1361, 1364-65 (7th

Cir.) (construing *Moitie* as rendering immaterial the parties' "public policy" arguments on the issue of whether the res judicata doctrine should be applied to the case before it and refusing, in light of *Moitie*, "to depart from traditional res judicata doctrine when and if the requirements of the doctrine are met"), *cert. denied*, 488 U.S. 856 (1988); *U.S. Indus., Inc. v. Blake Constr. Co.*, 765 F.2d 195, 207 (D.C. Cir. 1985) (construing *Moitie* as having held that "once it was determined that the technical elements of res judicata were satisfied, the subsequent suit was barred – and nothing by way of analysis [of] mitigating circumstances, or equity, was required"); *Ellingson v. Burlington Northern, Inc.*, 653 F.2d 1327, 1331 (9th Cir. 1981) (relying on *Moitie* to reject "contention that 'public policy' justifies disregard of res judicata").

A line of cases decided by the First Circuit, however, has taken a different view of *Moitie*. In *Kale v. Combined Ins. Co. of Am.*, 924 F.2d 1161 (1st Cir.), *cert. denied*, 502 U.S. 816 (1991), the First Circuit "recognized the existence of judicial power to make an 'occasional exception' to claim preclusion in order to 'prevent unusual hardship.' " *Id.* 1168 *(quoting Rose v. Town of Harwich*, 778 F.2d 77, 82 (1st Cir. 1985), *cert. denied*, 476 U.S. 1159 (1986)).[5] *See also United States v. Cunan*, 156 F.3d 110, 119 (1st Cir. 1998)

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[5] *Kale*'s reliance on *Rose* was misplaced. *Rose* involved the preclusive effect of a Massachusetts state court judgment. Under applicable precedent, that effect was governed by the applicable state law doctrine of res judicata. *Texaco Puerto Rico, Inc. v. Medina*, 834 F.2d 242, 245 (1st Cir. 1987). *Kale* involved the preclusive effect of a federal judgment and thus implicated the federal law of res judicata. *In re El San Juan Hotel Corp.*, 841 F.2d 6, 9 (1st Cir. 1988).

(characterizing *Moitie* as having "discouraged if not forbidden resort to equity as a way of avoiding res judicata"); *Porn v. National Grange Mut. Ins. Co.*, 93 F.3d 31, 37-38 (1st Cir. 1996) (acknowledging that *Kale* had suggested that an "occasional exception" to claim preclusion may still exist after *Moitie* in instances of "unusual hardship" and concluding that "[a]ssuming *arguendo* that *Moitie* did not foreclose the possibility of an equitable exception, we find that, in the context of this case, . . . the exception does not apply").

The First Circuit's decision in this case apparently constitutes the "occasional exception" envisioned by its prior cases. Without mentioning either *Kale* or *Moitie*, the First Circuit invoked both "policy" and "equitable" considerations as being material to its determination that the res judicata doctrine did not preclude TSI from asserting its claims against CSC in the CSC case. These considerations served the First Circuit both as an alternative ground for declining to apply the res judicata doctrine, App. 16 ("policy considerations militate against the application of res judicata"), and as bearing upon its determination of whether there had been a final judgment on the merits in the Bay State cases. App. 17 ("equitable considerations favor treating the consolidated cases as a single action for res judicata purposes"). Implicit in the court's discussion of "policy" and "equitable" considerations as material to its application of the res judicata doctrine is the assumption that this Court's res judicata jurisprudence merely discourages, but does not forbid, resort to such considerations in the application of the doctrine, and that an "occasional exception" to the application of the res judicata doctrine may still be made on such grounds.

The First Circuit's invocation of policy and equitable considerations as material to its application of the res judicata doctrine directly conflicts with *Moitie* itself, as well as with the decisions of those other courts of appeals which have construed *Moitie* as foreclosing, as opposed to merely "discouraging," resort to equitable or policy considerations in the application of the res judicata doctrine. This Court should grant *certiorari* in this case in order to consider and resolve this conflict among the circuits.

III. The Writ Should Be Granted Because The Decision Of The District Court That CSC And Bay State Are In Privity For Purposes Of The Res Judicata Doctrine Raises An Important Question Of Federal Law As To Which The Decisions Of The Courts Of Appeals Conflict.

The district court concluded that TSI's claims in the CSC case were based on the same cause of action as were the claims which TSI alleged in the Bay State cases. App. 28-29. TSI did not challenge this conclusion on appeal. Under the doctrine of res judicata, a final judgment on the merits bars further claims by a plaintiff against the parties or their privies based on the same cause of action. *Nevada v. United States*, 463 U.S. 110, 135 (1983). The courts of appeals have developed two fundamentally different and conflicting approaches to determining whether a defendant seeking to assert the preclusive effect of a judgment entered in a prior case is in privity with a party to the case in which the judgment was entered. Notwithstanding this Court's decision in *Nevada v. United States* recognizing "exceptions to the res judicata mutuality requirement," *id.* 143, one group of circuits continues to

use the rubric of "mutuality" among parties as a precondition to the application of the federal doctrine of res judicata. *See Sidag Aktiengesellschaft v. Smoked Foods Prods. Co.*, 776 F.2d 1270, 1275 (5th Cir. 1985); *Beard v. O'Neal*, 728 F.2d 894, 897 (7th Cir.), *cert. denied*, 469 U.S. 825 (1984); *Novak v. World Bank*, 703 F.2d 1305, 1309 (D.C. Cir. 1983). However, these courts do not construe "mutuality" to require identity between parties. Instead, under this approach, a non-party to a case in which a judgment has been entered is deemed to be in privity with a party to the case only in narrowly circumscribed circumstances: where the non-party is the successor in interest to the party's interest in property; where the non-party controlled the prior litigation; or where the non-party's interests were represented by the party in the prior case. *Meza v. General Battery Corp.*, 908 F.2d 1262, 1266 (5th Cir. 1990). *See also Novak*, 703 F.2d at 1309 n. 11.

Other circuits have developed a broader standard for determining privity. In a series of cases embodying what has come to be characterized as the doctrine of "non-mutual claim preclusion," the Third Circuit holds "that res judicata may be invoked against a plaintiff who has previously asserted essentially the same claim against different defendants when there is a close or significant relationship between successive defendants." *Gambocz v. Yelencsics*, 468 F.2d 837, 841 (3d Cir. 1972) (footnote omitted). Under this approach, privity has been found in a variety of circumstances, including (as in the case at bar) where a non-party is alleged to have acted in conspiracy with a party in the prior case. *Id.* 842. *See also In re Teltronics Servs., Inc.*, 762 F.2d 185, 192 (2d Cir. 1985); *Fonseca v. Columbia Gas Sys., Inc.*, 37 F.Supp.2d 214, 228 (W.D.N.Y. 1998); *Whitmer v. John Hancock Mut. Life Ins.*

Co., 1994 WL 236647 at *5-6 (N.D. Ill. May 27, 1994) (magistrate judge report and recommendation); *Cahill v. Arthur Andersen & Co.*, 659 F.Supp. 1115, 1123 (S.D.N.Y. 1986), *aff'd*, 822 F.2d 14 (2d Cir. 1987); *McLaughlin v. Bradlee*, 599 F.Supp. 839, 848 (D.D.C. 1984), *aff'd*, 803 F.2d 1197 (D.C. Cir. 1986).

The "close or significant relationship" test for determining privity was adopted by the First Circuit in *In re El San Juan Hotel Corp.*, 841 F.2d 6 (1st Cir. 1988). In that case the First Circuit held that a judgment entered in a prior case brought by the same plaintiff, a bankruptcy estate, against a former trustee of the estate on account of alleged wrongdoing by the trustee barred the plaintiff from asserting claims in a subsequent case against the estate's attorney to the extent that those claims were premised on the attorney's alleged participation with the trustee in the wrongdoing alleged. The court reasoned that "it is evident that [the attorney], as the co-perpetrator, shared a significant relationship with [the trustee]." *San Juan Hotel*, 841 F.2d at 11. The court opined that, in these circumstances, claim preclusion was appropriate in the absence of a good reason why the attorney had not been joined as a defendant in the action brought by the estate against the trustee. *Id.* 10-11.

In the CSC case, TSI expressly alleged that CSC and Bay State were co-conspirators. App. 82, 91. TSI further alleged that CSC aided and abetted Bay State in the actionable conduct of which TSI complained in the Bay State cases, App. 91-92, and contributed to Bay State's alleged infringement of TSI's copyrights. App. 94. As the district court concluded, "Bay State and CSC, working together, [were] alleged to have used the same proprietary intellectual property, belonging to [TSI], to create

the same three allegedly-infringing computer programs." App. 29. In view of these allegations, the district court concluded that CSC and Bay State were in privity for purposes of the res judicata doctrine under the doctrine of non-mutual claim preclusion. App. 29-32. Based on its conclusion that the judgment entered in the Bay State cases was not a final judgment on the merits in another action, the First Circuit declined to review the district court's conclusion that Bay State and CSC were in privity. App. 18. Nevertheless, this Court may consider this issue on *certiorari*, since it is implicated by the judgment under review. *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842 (1984).

The writ in this case should extend to the question of whether the district court correctly determined that CSC and Bay State were in privity. The resolution of this question will promote a uniform approach among the circuits to determining the proper scope of privity under the doctrine of res judicata. This issue has far-reaching implications for the federal civil litigation process because it governs the extent to which a plaintiff may file successive federal actions arising out of the same nucleus of operative facts against multiple defendants who share a close or significant relationship, but who may not otherwise be in privity under the narrow test adopted by some circuits in their application of the res judicata doctrine.

CONCLUSION

For the foregoing reasons, petitioner CSC Consulting, Inc. prays that this Court grant a writ of *certiorari* to review the judgment of the United States Court of Appeals for the First Circuit in this case.

Respectfully submitted,

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Dated: October 29, 1999

United States Court of Appeals

For the First Circuit

No. 96-1574

BAY STATE HMO MANAGEMENT, INC., ET AL.,
Plaintiffs, Appellees,

v.

TINGLEY SYSTEMS, INC., Defendant, Appellant.

No. 98-2334

TINGLEY SYSTEMS, INC., Plaintiff, Appellant,

v.

CSC CONSULTING, INC., f/k/a CSC PARTNERS, INC.,
Defendant, Appellee.

APPEALS FROM THE UNITED
STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

[Hon. Reginald C. Lindsay, *U.S. District Judge*]

Before

Torruella, *Chief Judge*,

Cyr, *Senior Circuit Judge*,

and Pollak,* *Senior District Judge*.

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* Of the Eastern District of Pennsylvania, sitting by designation.

G. Donovan Conwell, Jr., with whom *Guillermo A. Pernas, Jr., Fowler, White, Gillen, Boggs, Villareal & Banker, P.A., Edward P. Liebensperger, Christa von der Luft* and *Nutter, McClennen & Fish, LLP* were on brief, for appellant.

Michael Arthur Walsh, with whom *Eric J. Marandett, Laura M. Scott* and *Choate, Hall & Stewart* were on brief, for appellee CSC Consulting, Inc.

Marc K. Temin, with whom *Foley, Hoag & Eliot LLP* was on brief, for appellee Bay State Health Management, Inc., et al.

June 30, 1999

TORRUELLA, *Chief Judge*. Appellant Tingley Systems, Inc. ("Tingley") appeals from the district court's orders in two consolidated cases. Tingley brought suit against appellee Bay State Health Management, Inc. ("Bay State")[1] and its parent, appellee Blue Cross and Blue Shield of Massachusetts ("BCBSMA"), for breach of contract, fraud, misappropriation of trade secrets, and copyright infringement. After learning of facts that allegedly implicate appellee CSC Consulting, Inc. ("CSC") as a co-perpetrator in this conduct, Tingley filed a new complaint against CSC and consolidated that case with the case against Bay State into "one proceeding." Tingley and Bay State settled the claims raised in the first

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[1] At the time the relevant actions were filed, Bay State was known as Bay State HMO Management, Inc.

complaint and stipulated to dismiss the first action with prejudice. Upon motion by CSC, the district court then entered summary judgment against Tingley in the second action, finding it barred by the res judicata effect of the dismissal of the first action. Tingley sought to have the judgment in the first action modified to preserve the claims of the second action, but the district court denied Tingley's motion, despite what the district court termed a "harsh result." Tingley appeals, and we reverse.

BACKGROUND

Bay State is a Boston, Massachusetts-based health care maintenance organization ("HMO"). Tingley is a Florida corporation which creates, supports, and distributes computer software for the HMO industry. In a licensing agreement dated March 14, 1989, Tingley licensed computer software to Bay State for Bay State's own internal use. The licensing agreement contained strict confidentiality requirements and prohibited Bay State from providing any third party with access to the Tingley software.

In 1990, Bay State created three software packages that allegedly incorporated the file structure and source code of the Tingley software. The resulting dispute over ownership of these software packages led Bay State to sue Tingley on June 14, 1993 in the United States District Court for the District of Massachusetts. In response, Tingley immediately sued Bay State in the United States District Court for the Middle District of Florida. In the Florida action, Tingley alleged that Bay State breached the licensing agreement and misappropriated trade

secrets by disclosing Tingley's proprietary material to consultants during the creation of the software packages. The Florida action was transferred to the District of Massachusetts, and on December 17, 1993, the district court consolidated the two cases into Civil Case No. 97-1574 ("the Bay State cases"). Tingley later amended the complaint to add BCBSMA as a defendant and to allege causes of action for copyright infringement and fraud.

Tingley claims that, during discovery, it learned that CSC performed consulting services on one of Bay State's software package projects. In mid-December of 1994, after several delays and subpoenas, Tingley obtained several weekly status reports that were prepared by CSC consultants in connection with the Bay State software project. According to Tingley, those status reports revealed that one of the CSC consultants, Vicki Gifford, obtained the Tingley trade secret file layouts, studied them, and then loaded them into the software that CSC was creating for Bay State. Upon receiving this information, Tingley immediately moved to extend the discovery cutoff in the Bay State cases, but the motion was denied.

On February 9, 1995, Tingley filed a new action against CSC ("the CSC case"), claiming: (1) misappropriation of trade secrets; (2) copyright infringement; (3) unfair competition; (4) tortious interference with the licensing agreement and Tingley's business relationship with Bay State; and (5) conspiracy with Bay State to misappropriate Tingley's trade secrets and copy Tingley's software. On July 11, 1995, upon motion by Tingley, Magistrate Judge Marianne B. Bowler consolidated the CSC case and the Bay State cases into "one proceeding." On July 28, 1995, Tingley filed a second amended complaint

in the Bay State cases, including nine additional allegations of fraud against Bay State. The amended complaint captioned the Bay State and CSC cases, but only amended the claims against Bay State.

In September of 1995, Tingley and Bay State reached a settlement in the Bay State cases. A stipulation and order of dismissal was signed by the parties and entered by the court on September 11, 1995. The order captioned both the Bay State and CSC cases, but dismissed only the Bay State cases.

On October 17, 1995, CSC filed a motion for summary judgment in the CSC case on the basis of res judicata, claiming that the September 11, 1995 order of dismissal of the Bay State cases barred all of Tingley's claims against CSC. Tingley opposed this motion and alternatively moved for limited relief from judgment in the Bay State cases. The district court granted CSC's motion for summary judgment in the CSC case and denied Tingley's motion for limited relief from judgment in the Bay State cases. Tingley now appeals both rulings.

DISCUSSION

We turn first to Tingley's appeal of the grant of summary judgment in favor of CSC. We review a grant of summary judgment on res judicata grounds *de novo*. *See Porn v. National Grange Mut. Ins. Co.*, 93 F.3d 31, 33 (1st Cir. 1996). The applicability of the doctrine of res judicata is a question of law subject to plenary review. *See id.*

Under federal law, a final judgment on the merits of an action precludes the parties from relitigating claims

that were raised or could have been raised in that action. *See id.* at 34 (citing *Allen v. McCurry*, 449 U.S. 90, 94 (1980)). For a claim to be precluded, there must be: (1) a final judgment on the merits in an earlier action; (2) sufficient identity between the causes of action asserted in the earlier and later suits; and (3) sufficient identity between the parties in the two suits. *See id.* (citing *Apparel Art Int'l, Inc. v. Amertex Enters. Ltd.*, 48 F.3d 576, 583 (1st Cir. 1995)). CSC and Tingley dispute the first and third elements, as well as Tingley's claim that CSC consented to allow Tingley to split its claims, free of res judicata effect. Because we find that the first element is not satisfied, we do not address Tingley's other contentions.

The district court held that the dismissal of the Bay State cases with prejudice constitutes a "final judgment on the merits" for res judicata purposes. The district court cited two First Circuit cases in stating that: (1) cases consolidated for purposes of convenience and judicial efficiency retain their separate identities, and (2) final judgments rendered in each individual action are final judgments. *See Tingley Sys., Inc. v. CSC Consulting, Inc.*, 919 F. Supp. 48, 51 (D. Mass. 1996) (citing *Fed. Deposit Ins. Corp. v. Caledonia Inv. Corp.*, 862 F.2d 378, 381 (1st Cir. 1988), and *In re Massachusetts Helicopter Airlines, Inc.*, 469 F.2d 439, 441-42 (1st Cir. 1972)).

Tingley does not dispute the finality of the resolution of the Bay State cases, but claims that there was no final judgment on the merits in a separate action because the Bay State cases and the CSC case should be treated as a single action for res judicata purposes. If the cases are treated as a single action, the dismissal of the claims against Bay State would be treated as a dismissal of all

claims against CSC's "co-defendants" and therefore would have no preclusive effect on the claims against CSC.

At the outset, we note that there is no doubt that the Bay State cases and the CSC case are technically separate actions. *See Johnson v. Manhattan Ry. Co.*, 289 U.S. 479, 496-97 (1933) (stating that consolidation is simply a judicial tool which "is permitted as a matter of convenience and economy in administration, but does not merge the suits into a single cause, or change the rights of the parties, or make those who are parties in one suit parties in another"). Three separate original complaints were filed, and those three cases were consolidated before the district court in Massachusetts. However, the essence of consolidation is that, even though the cases are technically separate actions, they are treated as a single action for particular purposes. Despite CSC's representations to the contrary, the *Johnson* Court did not state that consolidated actions must always be treated as separate actions *for all purposes*. The question here is whether we should overlook this technical separateness and treat the consolidated cases as a single action for purposes of determining the res judicata effect of the settlement of the Bay State cases.

We agree with Tingley that we are not bound by the statements in *Massachusetts Helicopter* and *Caledonia Investment* in making this decision. Those cases dealt with the question of whether an order terminating one of two or more consolidated cases is appealable absent a certification pursuant to Fed. R. Civ. P. Rule 54(b). Rule 54(b) provides that, when an action presents more than one claim for relief or when multiple parties are involved, the

district court may direct the entry of final judgment as to less than all of the claims or parties – and therefore allow a separate appeal – if it finds that there is no just reason for delay. *See* Fed. R. Civ. P. 54(b). In *Massachusetts Helicopter*, we held that consolidated cases retain their separateness for purposes of appeal and therefore the district court need not issue such a Rule 54(b) certification to allow an appeal from the termination of one of the consolidated cases. *See Massachusetts Helicopter*, 469 F.2d at 441-42. We affirmed that principle in *Caledonia Investment*. *See* 862 F.2d at 381.

The question presented in *Massachusetts Helicopter* bears little on the question of whether the termination of one of the consolidated cases should preclude further proceedings in the remaining case or cases. The idea that consolidated cases maintain their separateness for purposes of determining their appealability is not inconsistent with treating those consolidated cases as a single action for res judicata purposes. The fact that certain claims are separate enough to be appealed separately does not mean that the claims are separate enough to preclude all other similar claims on res judicata grounds. For example, if a district court dismisses claims against one of several co-defendants in a particular non-consolidated case, the court may certify that dismissal as an immediately and separately appealable final judgment. *See* Fed. R. Civ. P. 54(b). Yet there is no suggestion that the court's certification of the appealability (and therefore the separateness) of this portion of the case somehow forever precludes further litigation of the rest of the case. Therefore, while *Massachusetts Helicopter* provides the rule of this circuit regarding the separateness of consolidated

cases for the one purpose of appeal,[2] it does not bar us from accepting Tingley's invitation to treat the Bay State cases and the CSC case as a single action for res judicata purposes.[3]

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[2] We note that other circuits have taken the opposite position and treated consolidated cases as a single action for purposes of appealability, thus requiring a Rule 54(b) certification before the termination of one of the cases may be appealed. *See, e.g., Trinity Broad. Corp. v. Eller*, 827 F.2d 673, 675 (10th Cir. 1987); *Huene v. United States*, 743 F.2d 703, 705 (9th Cir. 1984). The existence of these cases further demonstrates that *Johnson* does not mandate that consolidated cases always retain their separateness for all purposes.

[3] Tingley also offers a second basis for distinguishing *Massachusetts Helicopter*. Tingley argues that *Massachusetts Helicopter* is limited to cases consolidated for purposes of convenience and judicial efficiency and does not apply to cases that are consolidated for all purposes. The *Massachusetts Helicopter* court left open the possibility that actions could be consolidated into one action and therefore lose their separateness. *See Massachusetts Helicopter*, 469 F.2d at 442 n.3; *see also Jordan v. Kelly*, 728 F.2d 1, 4 (1st Cir. 1984) (citing *Massachusetts Helicopter* for the proposition that courts may consolidate identical actions into one action).

There are two relevant types of consolidations: (1) those in which separate actions are combined into one action and lose their separate identities, and (2) those in which separate actions are to be tried together but each retains its separate character and requires the entry of a separate judgment. *See Ivanov-McPhee v. Washington Nat'l Ins. Co.*, 719 F.2d 927, 929 (7th Cir. 1983) (citing 9 CHARLES A. WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 2382, at 254 (1971)). Several cases highlight this important distinction, and it appears that *Massachusetts Helicopter* is inapplicable to cases consolidated into one action for all purposes. *See Caledonia Investment*, 862 F.2d at 381 (stating that *Massachusetts Helicopter* is limited to cases consolidated for purposes of convenience and judicial

Tingley cites opinions of other courts that it claims have addressed the separateness issue in the res judicata context. While most miss the mark, one is at least marginally helpful to Tingley. In *Chase Manhattan Bank, N.A. v. Celotex Corp.*, 56 F.3d 343, 347 (2d Cir. 1995), the Second Circuit faced a situation in which two closely related actions were pending before the same judge. The plaintiff in one of the actions abandoned its claims and stipulated to a dismissal of its claims with prejudice. The district court then granted summary judgment in the other action on res judicata grounds, finding the plaintiffs to be in privity. The Second Circuit reversed, finding that the

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efficiency and refusing to decide the jurisdiction issue because it was unclear whether the cases were consolidated for convenience and judicial efficiency or for all purposes); *Cablevision Sys. Dev. Co. v. Motion Picture Assoc. of Am., Inc.*, 808 F.2d 133, 136 n.3 (D.C. Cir. 1987) (distinguishing *Massachusetts Helicopter* on the grounds that the consolidation in that case was not for "all purposes," but was only for convenience of pre-trial and trial procedure).

Even so, it is not at all clear which type of consolidation occurred here. The magistrate judge stated that the cases would be consolidated into "one proceeding," creating the possibility that this was the type of complete consolidation that *Massachusetts Helicopter* declined to address. However, the magistrate judge's reasons for consolidating the Bay State and CSC cases were based largely upon convenience and efficiency. Additionally, the cases retained certain aspects of separateness, including separate case numbers and docket sheets. Because of this ambiguity, we do not join Tingley in distinguishing *Massachusetts Helicopter* from the present facts on this additional basis. Rather, we accept this limitation on *Massachusetts Helicopter* for what it is: recognition that consolidated cases may not necessarily retain their technical separateness in all instances and for all purposes.

plaintiffs were not in privity because the plaintiff in the abandoned case had different incentives than the plaintiff who remained. *See id.* at 346-47. In closing, the court commented that it was a "peculiar case in which to assert claim preclusion for another reason." *Id.* at 347. The court noted that the closely related cases were pending before the same judge, although there was no formal order of consolidation. *See id.* The court stated that, therefore, the defendant was not in the position of having litigated in one forum and then being forced to defend an identical action in another forum. *See id.* The court then described the use of res judicata as "something of an ambush," because the actions proceeded together absent only a formal consolidation order. *Id.* However, the court stopped short of explicitly declaring that this constituted an independent ground for reversing the district court's application of res judicata.

CSC responds by citing *Robinson v. Worthington*, 544 F. Supp. 949, 952 (M.D. Ala. 1982), in which a district court opined that, even if two actions were to be consolidated before the same court, the separate identities of the two actions would remain, and final judgment in one action might bar the second action on res judicata grounds. *See id.* We note first that the cases in *Robinson* had not actually been consolidated, so the court's statement regarding the potential effects of consolidation was merely dicta. Nevertheless, the district court reached its conclusion after citing authority for the principle that consolidation does not merge two actions into a single case. *See id.* However, this analysis ignores the fact that consolidated actions are *treated* as a single action for some purposes, such as discovery or trial. The *Robinson*

district court performed no inquiry into res judicata principles; instead, it simply applied the technical separateness of consolidated cases in the res judicata context. Thus, *Robinson* provides little assistance in determining whether consolidated actions should be treated as a single action for res judicata purposes.

Notwithstanding the paucity of authority cited by the parties on this question, we believe that the Bay State cases and the CSC case should be treated as a single action for res judicata purposes. We can find no circuit opinion in which the first of two consolidated cases to be resolved was found to have a res judicata effect on the other.[4] However, we have found a very recent Second Circuit case, not cited by the parties, in which a plaintiff with two closely related actions pending before the same district judge at the same time was spared the potentially punitive res judicata effect of the entry of judgment in the first action. In *Devlin v. Transportation Communications Int'l Union*, No. 98-7237, 1999 WL 203526 (2d Cir. Apr. 13, 1999), the Second Circuit was faced with a district court decision similar to the one at bar. The plaintiffs, retirees and former employees of the defendant labor union, filed

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[4] We did find a district court opinion from the Southern District of Georgia in which the court found the legal effect of a consolidation in this context to be "little more than a procedural curiosity." *Booth v. Quantum Chem. Corp.*, 942 F. Supp. 580, 587 n.6 (S.D. Ga. 1996). The court cited the district court opinion in *Robinson* and recited the principle that consolidated cases are not truly a single action. *See id.* The court then applied the doctrine of res judicata to bar a case that was consolidated with another case that was closed first. *See id.* at 584-89. For the reasons cited both *supra* and *infra*, we decline to follow the approach of the Southern District of Georgia.

an action challenging a $100 charge under their medical benefits plan. In that action ("*Devlin I*"), the plaintiffs alleged claims under the Employee Retirement Income Security Act, 29 U.S.C. §§ 1001 *et seq.* ("ERISA"), as well as New York anti-discrimination and contract law. The claims for breach of contract and age discrimination were quickly dismissed as preempted by ERISA, but the ERISA claims remained. In the order dismissing the anti-discrimination claims, the court stated that "[i]f Plaintiffs have a federal age discrimination claim, they should plead it." Rather than amend the complaint, the plaintiffs filed a second action while the first was still pending. The complaint in the new action ("*Devlin II*") alleged a claim under the Age Discrimination in Employment Act, 29 U.S.C. §§ 621 *et seq.* ("ADEA"), based on acts both related to and apart from the medical benefits plan. *Devlin II* was then transferred, as a "related case," to the same court in which *Devlin I* was pending. Nearly two years later, summary judgment was entered in favor of defendants on all remaining claims in *Devlin I*. Shortly thereafter, the district court dismissed plaintiffs' medical benefits claim in *Devlin II*, based on the res judicata effect of the judgment in *Devlin I*.

The Second Circuit vacated the district court's application of res judicata. *See Devlin*, 1999 WL 203526 at *9. The court noted that both cases were before the same district judge at the same time and that the judge knew that the cases were related. *See id.* at *8. The court also noted that the plaintiffs did not wait until after the entry of judgment in *Devlin I* before filing the related action. *See id.* The Second Circuit then framed the question as "whether the appellants should be hoisted with their own

procedural petard for failing to plead the ADEA claim in *Devlin I* as the district court instructed." *Id.* The court expressed puzzlement as to why the plaintiffs did not plead their ADEA claims in *Devlin I* as instructed, but stated that the puzzling actions should not lead to the dismissal of the ADEA claims on res judicata grounds, "given the fortuitous circumstance that the same district judge had both *Devlin I* and *Devlin II* on his active docket at the same time." *Id.* The court then remanded for a determination of whether *Devlin II* should be consolidated with *Devlin I*, which was reopened in a companion appeal. *See id.* at *9.

It is possible to limit the holding of the *Devlin* opinion by finding that it vacated the application of res judicata based on the fact that the judgment in *Devlin I* was reversed and the case reopened, but we believe that to be an incorrect reading. From the court's extensive analysis, it is clear that the Second Circuit found that res judicata was not appropriate in such a situation and contemplated that consolidation below would cure any future similar problems. The situation at bar is quite analogous in that the actions were closely related and pending before the same judge at the same time. Like the plaintiffs in *Devlin*, Tingley did not wait until the termination of the first case to commence the second case. Like the plaintiffs in *Devlin*, Tingley could have chosen to assert its new claims in the existing action, but instead chose to file a new action. The present situation is even more favorable to Tingley than was the situation in *Devlin* because Tingley's cases were consolidated. Tingley actively sought to bring the case to the attention of the district court to have it consolidated with the Bay State cases. As a result, we

find, as did the *Devlin* court, that res judicata is inapplicable to bar the later-filed action.[5]

For other reasons as well, we do not believe that Tingley should be "hoisted with [its] own procedural petard." Res judicata is a judge-made doctrine resting on policy considerations, *see Diversified Foods, Inc. v. First*

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[5] In addition to the holding in *Devlin*, we have found several cases that have suggested or assumed that consolidation precludes the use of the doctrine of res judicata to bar one action when the other action is resolved first. *See, e.g., Langston v. Insurance Co. of N. Am.*, 827 F.2d 1044, 1048 (5th Cir. 1987) (finding the claims of a later-filed action to be barred by res judicata and stating that the plaintiff "could have, by amendment or consolidation, advanced" the precluded claims during the pendency of the first action, implicitly suggesting that consolidation would have prevented res judicata preclusion); *Wilkins v. Jakeway*, 993 F. Supp. 635, 651 (S.D. Ohio 1998) (finding an action to be barred by res judicata and stating that a plaintiff was put on notice that he should either move to consolidate or amend his pleadings in order to avoid the potential of res judicata preclusion, suggesting that consolidation of related actions bars the res judicata effect of one against the other), *rev'd on other grounds*, No. 98-3180, 1999 WL 317506 (6th Cir. May 21, 1999); *Ben & Jerry's Homemade, Inc. v. FBJ Distribution, Inc.*, 791 F. Supp. 98, 100 n.1 (D. Vt. 1992) (finding an asserted potential res judicata issue to be moot because the allegedly preclusive case was consolidated with the allegedly precluded case). In *Hagee v. City of Evanston*, 729 F.2d 510, 514 (7th Cir. 1984), the Seventh Circuit stated that "[t]he principle that res judicata extends to all matters within the purview of the original action, whether or not they were actually raised, is tantamount to a rule requiring parties to consolidate all closely related matters into one suit." Consolidation is exactly what Tingley did, and this passage in *Hagee* would seem to indicate that such consolidation is enough to ward off res judicata preclusion.

Nat'l Bank of Boston, 985 F.2d 27, 31 (1st Cir. 1993), and in this case the policy considerations militate against the application of res judicata. "The policy rationale behind res judicata is to 'relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication.' " *Apparel Art Int'l*, 48 F.3d at 583 (quoting *Allen*, 449 U.S. at 94). None of those policy concerns is implicated here. First, there was no "cost and vexation of multiple lawsuits." At the time of the settlement, these cases were proceeding as if one case had been filed against co-defendants CSC and Bay State. The continuance of the case against CSC when only Bay State chose to settle is not the type of cost or vexation with which the res judicata doctrine is concerned. Second, Tingley's actions did nothing to waste judicial resources.[6] In asserting its claims against CSC, it mattered little in terms of judicial efficiency whether Tingley amended its pending Bay State action or filed a new action and immediately consolidated them. The cases still proceeded as if only one case existed. Finally, there was no concern for inconsistent decisions here because the cases were consolidated. This was not a situation in which one case was filed and proceeded to judgment, only to have another case come along threatening a contrary result. There was no greater risk of inconsistency here than would have existed if all claims had been brought by Tingley in one

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[6] To the contrary, it is CSC's proposed res judicata rule that would waste judicial resources. Such a rule would discourage litigants from entering into partial settlements in consolidated cases. Plaintiffs would instead litigate all claims against all parties to the end.

comprehensive complaint. As demonstrated above, one purpose of the res judicata doctrine is to prevent a plaintiff from raising claims that should have been raised in an earlier action. Thus, when a plaintiff consolidates two actions in order to ensure that all claims will be adjudicated together, it makes little sense to bar the later-filed claims once the original claims are settled.

In addition to these policy concerns, equitable considerations favor treating the consolidated cases as a single action for res judicata purposes. We agree with Tingley that, for all practical purposes, CSC and Bay State were co-defendants in a single lawsuit. Until the time of the settlement in the Bay State cases, the court treated the actions as one lawsuit with claims against multiple defendants. *See, e.g.*, July 17, 1995 Transcript, at 43 (magistrate's statement that "this is consolidated" and that "[i]t's one big case in the eyes of the Court"). The only difference between the present situation and a single lawsuit with multiple claims is that Tingley chose to list its causes of action against CSC in a new complaint, rather than in an amended complaint in the Bay State cases. Tingley could easily have done the latter if it had known that it risked res judicata preclusion, but Tingley's July 28, 1995 second amended complaint instead amended only the claims against Bay State. Equity demands that we not allow such a draconian result to turn on this procedural quirk.

There are accusations that Tingley filed the new complaint in order to avoid discovery deadlines in the Bay State cases, but even if those accusations are true, we do not believe that total preclusion of Tingley's claims against CSC is the proper punishment, if any punishment

is appropriate. Tingley found out about CSC's involvement in the alleged wrongdoing very late in discovery in its case against Bay State. According to CSC and the district court, Tingley's alternatives were: (1) to amend its Bay State complaint to add claims against CSC, but proceed without discovery on those claims, or (2) to file a new action against CSC that would be precluded if Bay State chose to settle. Forcing Tingley to choose between those alternatives is not equitable, when neither alternative gave Tingley the opportunity to fully investigate and litigate its newly-discovered claims against CSC.

In sum, we are persuaded by the Second Circuit's decision in *Devlin*, the policy concerns surrounding the res judicata doctrine, and equitable considerations that, at least in the limited circumstances presented here, the consolidated cases should have been treated as a single action for res judicata purposes. Consequently, the first element of the res judicata standard is not satisfied. There was no final judgment on the merits in an earlier action; there was only a final judgment on a portion of the aggregate case. Therefore, the application of res judicata in this case was inappropriate. We need proceed no further.[7]

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[7] We need not address Tingley's appeal of the denial of its motion for relief from judgment in the Bay State cases, as that appeal has been mooted. Tingley sought relief from judgment to avoid the res judicata effect of the stipulated dismissal in the Bay State cases, but we have already found that there is no res judicata effect.

CONCLUSION

Based on the foregoing, the district court's entry of summary judgment in favor of CSC on Tingley's claims against it is **REVERSED**, and the CSC case is **REMANDED** to the district court for further proceedings. We **DISMISS** as moot Tingley's appeal from the district court's denial of its motion for relief from judgment in the Bay State cases.

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

TINGLEY SYSTEMS, INC. Plaintiff v. CSC CONSULTING, INC., f/k/a CSC PARTNERS, INC., Defendant	Civil Action No. 95-10284-RCL

MEMORANDUM AND ORDER

This is a procedurally-complex intellectual property case in which the plaintiff, Tingley Systems, Inc. ("Tingley" or "TSI"), asserts that the defendant, CSC Consulting, Inc. ("CSC") has misappropriated Tingley's trade secrets and has infringed Tingley's copyrights in certain computer software. Tingley also claims that CSC conspired with Bay State HMO Management, Inc. and certain entities affiliated with the latter[1] to misappropriate Tingley's trade secrets; that CSC aided and abetted Bay State's misappropriation of Tingley's trade secrets; and that CSC materially contributed to Bay State's infringement of Tingley's copyrights. Finally, Tingley makes state law claims against CSC arising out of the same alleged

[1] The affiliated entities are Bay State Health Management, Inc. and Blue Cross and Blue Shield of Massachusetts, Inc. Bay State HMO Management, Inc. and its affiliated entities will be referred to collectively as "Bay State" throughout this memorandum and order.

misappropriation of and copying of Tingley's copyrighted computer software.

This case is the only remaining one of three companion cases that were consolidated pursuant to an order by Magistrate Judge Marianne B. Bowler in the summer of 1995. On motion of the parties, this court dismissed with prejudice the other two cases (which themselves had previously been consolidated), *Bay State HMO Management, Inc. v Tingley Systems, Inc.*, 93-11283-RCL, and *Tingley Systems, Inc. v. Bay State Health Management, Inc.*, 93-12230-RCL (the "Bay State cases"), pursuant to a settlement agreement between Tingley and Bay State.

In the present motion, CSC argues for summary judgment on the ground that the doctrine of res judicata bars Tingley's claims against CSC in this action. CSC's argument is that (1) the claims in this action are identical to the claims against Bay State; (2) this court's dismissal of the Bay State cases is a final judgment on the merits within the meaning of the res judicata doctrine, and (3) that CSC and Bay State are privies within the meaning of the res judicata doctrine.

Because this court agrees with CSC's analysis and concludes that res judicata bars Tingley's claim, the court grants CSC's motion for summary judgment.

I. Standard: Motion for Summary Judgment

Under Fed. R. Civ. P. 56(c), a court "may grant summary judgment 'if all the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue

as to any material fact and that the moving party is entitled to a judgment as a matter of law.' " *McCarthy v. Northwest Airlines*, 56 F.3d 313, 314 (1st Cir. 1995), *quoting* Fed. R. Civ. P. 56(c).

The mechanics of a summary judgment motion are as follows:

> Once a properly documented motion has engaged the gears of Rule 56, the party to whom the motion is directed can shut down the machinery only by showing that a trial-worthy issue exists. *See National Amusements [v. Town of Dedham]*, 43 F. 3d [731,] 735 [(1st Cir. 1995), *cert. denied*, ___ U.S. ___, 115 S. Ct. 2247]. As to issues on which the summary judgment target bears the ultimate burden of proof, she cannot rely on an absence of competent evidence, but must affirmatively point to specific facts that demonstrate the existence of an authentic dispute. *See Garside [v. Osco Drug, Inc.]* 895 F.2d [46,] 48 [(1st Cir. 1990)]. Not every factual dispute is sufficient to thwart summary judgment; the contested fact must be "material" and the dispute over it must be "genuine." In this regard, "material" means that a contested fact has the potential to change the outcome of the suit under the governing law if the dispute over it is resolved favorably to the nonmovant. *See* [*United States v.*] *One Parcel* [*of Real Property (Greater Harbor Neck, New Shoreham, R.I.)*], 960 F.2d [200,] 204 [(1st Cir. 1992)]. By like token, "genuine" means that "the evidence about the fact is such that a reasonable jury could resolve the point in favor of the nonmoving party . . . " *Id.*
>
> When all is said and done, the trial court must "view the entire record in the light most

> hospitable to the party opposing summary judgment, indulging all reasonable inferences in that party's favor," *Griggs-Ryan* [*v. Smith*], 904 F.2d [112,] 115 [(1st Cir. 1990)], but paying no heed to "conclusory allegations, improbable inferences, [or] unsupported speculation," *Medina-Munoz* [*v. R.J. Reynolds Tobacco Co.*], 896 F.2d [5,] 8 [(1st Cir. 1990)]. If no genuine issue of material fact emerges, then the motion for summary judgment may be granted.

McCarthy, 56 F.3d at 315.

II. Facts/Procedural History

Read in the light most hospitable to Tingley, the record in this case reveals the following.

Tingley makes computer software for health maintenance organizations. It licensed its software to Bay State, and Bay State allegedly used that software to create three new software packages, "Point of Sale" ("POS"), "Decision Support System," ("DSS"), and "BayStar." Tingley claims that, by using the source code, file structures, sequence, field structures, data attributes, screens, and file keys of Tingley's software package, Bay State infringed Tingley's intellectual property rights.

CSC is a consultant hired by Bay State to help develop POS, DSS and BayStar. The parties to the Bay State cases were Tingley and Bay State. (Bay State, warned that Tingley was about to sue Bay State in Florida, sued Tingley in this court; Tingley then filed a suit against Bay State in the Middle District of Florida; Bay State successfully moved for transfer of the Florida case to this district and for consolidation of the two cases.)

Tingley sued CSC in this separate action after discovery in the Bay State cases indicated that CSC had been involved in developing the allegedly-infringing programs. Tingley then moved, in the summer of 1995, to consolidate this case with the Bay State cases. In an order dated July 11, 1995, Magistrate Judge Bowler granted that motion. The three cases (the two already-consolidated Bay State cases and this case) were then consolidated.

Tingley's claims against CSC parallel its claims against Bay State and arise from the same underlying circumstances. Both parties have asserted this at different times – Tingley in support of its motion to consolidate the Bay State cases with this case, and CSC in its memorandum in support of the present motion. Magistrate Judge Bowler's order granting consolidation noted that "both [sic] actions stem[med] from the same set of factual circumstances." July 11, 1995 Order and Memorandum Consolidating Cases at 5.

After the consolidation of the cases, Tingley and Bay State discussed settlement. CSC declined an invitation to be involved in these settlement discussions. Tingley and Bay State concluded a settlement agreement which "specifically acknowledges TSI's intent and right to continue its suit against CSC," TSI's Opposition to CSC's Motion for Summary Judgment ("Opposition Memorandum") at 5, and makes arrangements that bear out that intent (e.g., allowing Tingley to keep certain Bay State documents that are necessary to the CSC litigation). The settlement agreement specifically states Tingley's refusal to release any claims Tingley has against CSC and contemplates that the CSC action will continue.

Pursuant to the settlement agreement, in September, 1995, Tingley and Bay State filed a "Stipulation and Order of Dismissal" in the Bay State cases, pursuant to Fed. R. Civ. P. 41(a). In accordance with this filing, the court ordered dismissal with prejudice of those suits.

III. Analysis: Application Res Judicata

A. Effect of Consolidation

Under the law of this Circuit, cases "consolidated for purposes of convenience and judicial efficiency . . . retain their separate identity and judgments rendered in each individual action are . . . final judgments within the meaning of 28 U.S.C. § 1291." *Fed. Deposit Ins. Corp. v. Caledonia Inv. Corp.*, 862 F.2d 378, 381 (1st Cir. 1988), *citing In re Massachusetts Helicopter Airlines, Inc.*, 469 F.2d 439 (1st Cir. 1972) (citation omitted). Thus consolidated cases remain "separate entities," though consolidated. *Albert v. Maine Cent. R.R. Co.*, 898 F.2d 5, 7 (1st Cir. 1990), *cert. granted sub nom Erickson v. Maine Cent. R.R. Co.*, 498 U.S. 807. For the purposes of this motion, then, the court must treat the consolidated cases as different cases.

B. Res Judicata

Federal res judicata law applies to this case. *Blonder-Tongue Lab., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 324 n.12 (1971); *Apparel Art Int'l, Inc. v. Amertex Enter. Ltd.*, 48 F.3d 576, 582 (1st Cir. 1995) ("Federal law principles of res judicata govern the preclusive effect of a prior federal

court's judgment on a subsequent action brought in federal court," *citing In re El San Juan Hotel Corp.*, 841 F.2d 6, 9 (1st Cir. 1988)).

The res judicata doctrine under federal law holds that

> a final judgment on the merits of an action precludes the parties or their privies from relitigating claims that were raised or could have been raised in that action. *Allen v. McCurry*, 449 U.S. 90, 94 (1980) (parallel citations omitted); *Gonzalez v. Banco Central Corp.*, 27 F.3d 751, 755 (1st Cir. 1994). The policy rationale behind res judicata it to "relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication." *Allen*, 449 U.S. at 94 (parallel citation omitted). Res judicata, therefore, prevents plaintiffs from splitting their claims by providing a strong incentive for them to plead all factually related allegations and attendant legal theories for recovery the first time they bring suit. *See Kale [v. Combined Ins. Co. of America,]* 924 F.2d [1161], 1166 [(1st Cir. 1991), *cert. denied*, 502 U.S. 816].

Apparel Art, 48 F.3d at 583.

There is a three-part test to determine "whether res judicata precludes litigation of a party's claims." *Id.* The elements are: "1) a final judgment on the merits in an earlier suit; 2) sufficient identicality between the causes of action asserted in the earlier and later suits; and 3) sufficient identicality between the parties in the two suits." *Id., citing Gonzalez*, 27 F.3d at 755; *Kale*, 924 F.2d at 1165.

The court will address these issues in turn.

1. Final Judgment on the Merits

CSC argues that the dismissal with prejudice of Tingley's claims in the Bay State cases constitutes a "final judgment on the merits" for the purposes of res judicata. Defendant's Memorandum at 6. The court agrees. *Capraro v. Tilcon Gammino, Inc.*, 751 F.2d 56 (1st Cir. 1985) (addressing res judicata effect, under Rhode Island law, of previous dismissal with prejudice; assumption that Rhode Island law "does not in connection with principles of res judicata differ from . . . the federal law," *id.* at 58). *See Langton v. Hogan*, 71 F.3d 930 (1st Cir. 1995) (a judgment "that is entered with prejudice under the terms of a settlement . . . bars a second suit on the same claim or cause of action." *Id.* at 935.); *Golden v. Barenborg*, 53 F.3d 866 (7th Cir. 1995); *Samuels v. Northern Telecom, Inc.*, 942 F.2d 834 (2d Cir. 1991); *Citibank, N.A. v. Data Lease Financial Corp.*, 904 F.2d 1498 (11th Cir. 1990); *Brooks v. Barbour Energy Corp.*, 804 F.2d 1144 (10th Cir. 1986); *see also* 9 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2367 at 319-20 (1995 ed.) ("Dismissal with prejudice, unless the court has made some other provision, is subject to the usual rules of res judicata and is effective not only on the immediate parties but also on their privies." *Id.*) Thus, the first part of the res judicata test is met.

2. Identity of Claims

The First Circuit follows a "transactional approach" in determining whether there is sufficient identity

between claims in separate cases for res judicata purposes.

> Under this approach, a cause of action is defined as a set of facts which can be characterized as a single transaction or a series of related transactions. The cause of action, therefore, is a transaction that is identified by a common nucleus of operative facts. Although a set of facts may give rise to multiple counts based on different legal theories, if the facts form a common nucleus that is identifiable as a transaction or series of related transactions, then those facts represent one cause of action. *See, e.g., Gonzalez,* 27 F.3d at 755; *Kale,* 924 F.2d at 1166.

Apparel Art, 48 F.3d at 583-84. The question for the court, then, is whether the facts of this case and the Bay state cases "arise from the same nucleus of operative facts." *Id.* at 584.

Factors which the court may consider in making this determination include:

> 1) whether the facts are related in time, space, origin or motivation; 2) whether the facts form a convenient trial unit; and 3) whether treating the facts as a unit conforms to the parties' expectations. [*Gonzalez,* 27 F.3d at 756.] Additionally, when defining the contours of the common nucleus of operative facts, it is often helpful to consider the nature of the injury for which the litigant seeks to recover. *See id.*

Appeal Art, 48 F.3d at 584.

In this case, consideration of the three numbered factors argues in favor of the court's concluding that there is a single "nucleus of operative facts." The facts are

not only "related in time, space, origin or motivation," but are fundamentally the same facts: Bay State and CSC, working together, are alleged to have used the same proprietary intellectual property, belonging to Tingley, to create the same three allegedly-infringing computer programs. And, as found by Magistrate Judge Bowler in her analysis of whether to consolidate the cases for trial, the facts "form a convenient trial unit." Finally, the parties expected – as evidenced by their coordinated discovery efforts[2] – that the facts would be treated as a unit. In addition, as noted above, each party to this suit has at some time argued that the claims in these two cases do arise from the same transaction.

What is left is consideration of the additional factor of the nature of the injury for which recovery is sought – a factor the First Circuit describes as "helpful" in "defining the contours of the common nucleus of facts" *Apparel Art*, 48 F.3d at 584. In this case, the alleged injury, theft of intellectual property and related claims, is the same in both cases.

Thus, the second res judicata element exists in this case.

3. Identity of Parties

Inquiry under this part of the test focuses on whether CSC and Bay State were in privity such that it is

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[2] Even before CSC was sued, it produced its employees for deposition in the Bay State cases; in addition, much of the discovery material applies to both Tingley's claims against Bay State and its claims against CSC.

appropriate that res judicata operate to bar, in this case, claims originally made by CSC against Bay State in the Bay State cases. The law of privity is not a model of clarity. Various phrases have been used to describe the relationship necessary to establish privity: "substantial control" by the nonparty of the party's involvement in the initial litigation, *Gonzalez*, 27 F.3d at 758; permitting a party to the initial litigation to function as the "de facto representative" of the later party, *id.*; and a "close and significant relationship" between the original defendants and the later party, *In Re El San Juan Hotel Corp.*, 841 F.2d 6, 10 (1st Cir. 1988).

Of these tests, the one set forth in *San Juan Hotel* is most appropriately applied to the case at bar. In that case, the United States, as a creditor of an estate in bankruptcy, filed a claim against the former trustee of the estate, Hector Rodriguez-Estrada ("Rodriguez"), alleging that improprieties on the part of Rodriguez had harmed the estate. Thereafter Marshall Kagan ("Kagan"), another creditor, also sued Rodriguez for improprieties in the latter's administration of the estate. In this second suit, Kagan sued Rodriguez and Charles A. Cuprill-Hernandez ("Cuprill"), Rodriguez' attorney during the latter's tenure as trustee of the estate. Cuprill was alleged by Kagan, among other things, to have caused harm to the estate jointly with Rodriguez. The trial court determined in the first suit that Rodriguez had committed the defalcations and other wrongs alleged by the United States and awarded damages. The court then dismissed Kagan's suit on the ground that that suit was barred by the doctrine of res judicata. Kagan appealed, arguing that Cuprill was not a party to the first suit and that, therefore there was

no identity of parties. The First Circuit affirmed the dismissal,[3] noting that the underlying transaction alleged in the two cases was the same, and that "Cuprill, as a co-perpetrator, shared a significant relationship with Rodriguez." *Id.* at 11. Under these circumstances, the court held that there was privity between Rodriguez and Cuprill, at least as to those harms they were jointly alleged to have caused. CSC's position in this case is analogous to that of Cuprill in *San Juan Hotel*. That is, CSC is alleged to be a co-perpetrator, with Bay State, of jointly-caused harms to Tingley.

Tingley asserts that this case is distinguishable from *San Juan Hotel* because that case involved vicarious or derivative liability of Rodriguez for the actions of a third party (in that case, Cuprill), while in this case each of Bay State and CSC is individually liable for its own actions. That assertion cannot stand in the face of the *San Juan Hotel* decision itself. The court in that case described the amended complaint in the second case as "accus[ing] Cuprill of jointly causing this harm" with Rodriguez. *San Juan Hotel*, 841 F.2d at 10-11. The Court went on to note, "What is critical is that both actions purported to address the various ways in which Rodriguez, *or Rodriguez and Cuprill jointly*, caused financial harm to the estate." *Id.* at

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[3] The First Circuit affirmed the decision on res judicata grounds only insofar as the claims in Kagan suit were based harms on jointly caused by Rodriguez and Cuprill. The court determined that res judicata did not bar claims made against Cuprill for his acts alone. The decision of the trial court to dismiss Kagan's suit was affirmed in whole, however, because the First Circuit held that Kagan lacked standing to bring his suit.

11 n.9 (emphasis added). The finding of privity in that case, and the court's decision that res judicata barred the second claim were not based, as Tingley claims, on any theory of vicarious or derivative liability.[4]

IV. Conclusion

For the reasons set forth above, the court concludes that the three requisites for res judicata are met in this case. The application of res judicata to bar the plaintiff's claim seems, however, to be a harsh result, given that it allows one defendant the benefit of another defendant's

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[4] Both parties devote extensive energy to discussing on Eleventh Circuit case, *Citibank, N.A. v. Data Lease Financial Corp.*, 904 F.2d 1498 (11th Cir. 1990). There the res judicata issue is discussed in a context in which the identity of the parties is based on the derivative liability of one party for the acts or omissions of another. It is no surprise that the parties differ as to what the case means and as to what its implications might be for this case. The facts of *Citibank* are similar to the facts in this case, but because this case is controlled by *San Juan Hotel, Citibank* has limited value in the resolution of the issues presented here.

Tingley also relies on the *Restatement (Second) of Judgments* for the proposition that "[a] judgment against one person liable for a loss does not terminate a claim that the injured party may have against another person who may be liable therefor." *Restatement (Second) of Judgments* § 49 (1982). While the *Restatement* appears to reflect the law in Massachusetts, it does not state the law of the First Circuit, at least insofar as that law pertains to the res judicata effect of a judgment as to claims against one co-perpetrator of allegedly joint harms to a plaintiff; and, as noted in section III B of this memorandum and order, federal res judicata law governs this case. *See Hermes Automation Tech. v. Hyundai Elec. Indus. Co., Ltd.*, 915 F.2d 739, 751-52 (1st Cir. 1990).

bargain with the plaintiff. But harsh though this outcome may seem, the court is constrained by the applicable law to reach it. The parties in the Bay State cases asked for, and received, a dismissal with prejudice of Tingley's claim against Bay State. By selecting this form for the dismissal of that suit, they dictated the disposition of the present motion. The circuits, after all, speak with one voice that a dismissal with prejudice, even if it arises from a stipulation or consent, is a final judgment on the merits. The other elements of res judicata – identity of claims and of parties – are likewise met. Therefore, the court GRANTS the defendant's motion for summary judgment.

One final matter: Tingley (as a hedge against a ruling unfavorable to it on the present motion) filed in the Bay States cases a Motion for Limited Relief from Judgment, in which it requested relief under Rule 60(b) from the judgment of dismissal in those cases. Tingley made its motion under Rule 60(b)(6), which gives the court power to relieve a party from judgment "for any other reason [than those stated in Rules 60(b)(1)-(5)] justifying relief," Fed. R. Civ. P. 60(b)(6).

This court has determined that Rule 60(b)(6) is not available to Tingley with respect to the judgment in the Bay State cases. Application of this rule is limited to situations in which none of the other subsections of Rule 60(b) apply. As Wright and Miller have observed, "[T]he broad power granted by clause (6) is not for the purpose of relieving a party from free, calculated, and deliberate choices he has made." Charles A. Wright & Arthur R. Miller, 11 *Federal Practice and Procedure* § 2864 (1995). See also *Ackermann v. United States*, 340 U.S. 193 (1950); *Chang*

v. Smith, 778 F.2d 83 (1st Cir. 1985). Rule 60(b)(6), then, is not a source of remedy for Tingley.

The appropriate basis for considering Tingley's motion for limited relief from judgment is found in Rule 60(b)(1). That rule authorizes the court to give relief from judgment in cases of "mistake, inadvertence, surprise, or excusable neglect." Fed. R. Civ. P. 60(b)(1). Even under this lower standard, however, Tingley's claim must fail. Where a party takes a voluntary action that compromises or extinguishes a claim, that party may not have relief from judgment under Rule 60(b)(1) merely because the party – as here – misapprehends the consequences of the action taken. *See* 11 Wright & Miller, § 2858 and cases cited therein.

For the foregoing reasons, Tingley's Motion for Limited Relief from Judgment is DENIED. The clerk is directed to make an appropriate notation of this ruling in the Bay State cases.

The motion of CSC for summary judgment having been granted and the motion of Tingley for limited relief from judgment having been denied, the court dismisses the complaint in these cases and orders that judgment enter for CSC.

It is so ordered.

/s/ Reginald C. Lindsay
United States District Judge

DATED: March 19, 1996

UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

No. 96-1574

BAYSTATE HMO MANAGEMENT, INC., ET AL.,
Plaintiffs, Appellees,

v.

TINGLEY SYSTEMS, INC.,
Defendant, Appellant.

No. 98-2334

TINGLEY SYSTEMS, INC.,
Plaintiff, Appellant,

v.

CSC CONSULTING, INC., fka CSC Partners, Inc.,
Defendant, Appellees.

BEFORE
Torruella, *Chief Judge*,
Cyr, *Senior Circuit Judge*,
Selya, Boudin, Stahl, Lynch*, Lipez, *Circuit Judges*,
Pollak*, *Senior District Judge*.

ORDER OF THE COURT

Entered: August 3, 1999

The panel of judges that rendered the decision in this case having voted to deny the petition for rehearing and

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* Judge Lynch was recused and did not participate in any decision

** of the Eastern District of Pennsylvania, sitting by designation.

the suggestion for the holding of a rehearing en banc having been carefully considered by the judges of the Court in regular active service and a majority of said judges not having voted to order that the appeal be heard or reheard by the Court en banc.

It is ordered that the petition for rehearing and the suggestion for rehearing en banc be denied.

By The Court

PHOEBE MORSE

PHOEBE D. MORSE, CLERK

cc: Messrs. Pernas, Jr., Conowell, Jr., Gibbs, Leibensperger, Fitzgerald, Griesinger, Walsh, Marandett, Temin, Benka, Ms. Scott & Ms. Vonder Luft

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

BAY STATE HMO MANAGEMENT, INC., C.A. NO. 93-11283-RCL

Plaintiff,

v.

TINGLEY SYSTEMS, INC.,

Defendant.

_____/

TINGLEY SYSTEMS, INC.,

Plaintiff,

v.

BAY STATE HEALTH MANAGEMENT, INC. f/k/a BAY STATE HMO MANAGEMENT, INC. and BLUE CROSS/BLUE SHIELD OF MASSACHUSETTS, INC., C.A. NO. 93-12230-RCL

Defendants.

_____/

TINGLEY SYSTEMS, INC.,

Plaintiff,

v.

CSC CONSULTING, INC. f/k/a CSC PARTNERS, INC., C.A. NO. 95-10284

Defendant.

_____/

SECOND AMENDED COMPLAINT (CONSOLIDATED CASE) INJUNCTIVE RELIEF REQUESTED

Plaintiff, Tingley Systems, Inc. ("TSI"), sues the defendants, Bay State Health Management, Inc. f/k/a Bay State HMO Management, Inc. ("Bay State HM"), and Blue Cross and Blue Shield of Massachusetts, Inc. ("BCBSMA"), and alleges:

Parties

1. TSI is a Florida corporation with its principal place of business in San Antonio, Florida. TSI creates, supports and distributes computer software for the health care management organization ("HMO") industry.

2. Bay State HM is a Massachusetts corporation with its principal place of business in Boston, Massachusetts. On or about January 4, 1991, Bay State HMO Management Inc. changed its name to Bay State Health Management, Inc. Bay State HM has licensed for many years software owned by TSI. At the time that Bay State HM and TSI entered into the license at issue in this case, Bay State HM was a sub-subsidiary corporation of Bay State Health Care, Inc. ("BSHC"), one of the largest HMO's in Massachusetts. BSHC had contracts with "members", such as employer groups, whereby BSHC received fees from the members for health services. BSHC had contracts with "providers", such as doctors and hospitals, whereby providers provided medical services to BSHC's members and received payment for those services from BSHC. Bay State HM processed the data of

BSHC using the TSI software pursuant to a Management Agreement between BSHC and Bay State HM.

3. BCBSMA is a Massachusetts corporation with its principal place of business in Boston, Massachusetts. In September 1992, BCBSMA took over all of the HMO business of BSHC and Bay State HM became a wholly-owned subsidiary of BCBSMA.

Jurisdiction

4. The matter in controversy exceeds the sum of Fifty Thousand Dollars ($50,000), exclusive of interest and costs, and the parties are of diverse citizenship. This Court has jurisdiction pursuant to 28 U.S.C. §1332.

5. This Court also has subject matter jurisdiction pursuant to 17 U.S.C. §501, 28 U.S.C. §1331 and 28 U.S.C. §1338(a). This case is a civil action arising under the copyright laws of the United States.

Factual Background (The TSI Software)

6. TSI and Bay State HM and their legal predecessors have had an on-going business relationship since at least 1984. TSI has licensed and supported software to and for Bay State HM at all times relevant to this Amended Complaint.

7. TSI licenses its computer software for the HMO industry throughout the United States. TSI has made over 70 installations of its software throughout the United States. TSI's sole source of income and support comes from TSI's licensing and support of TSI's software.

8. TSI has invested tens of thousands of man-hours in developing the software which it licenses to the HMO industry. The development of this software began in 1980 and has continued through the present date. The cost of developing this software exceeds Ten Million Dollars ($10,000,000).

9. TSI's software consists of, among other things, source code and file structures. TSI maintains the source code, file structures and documentation for its software as a trade secret. The source code includes the human readable programming instructions and the structure, sequence and organization of those programming instructions within the software. The file structure includes the organization of data within a file and defines their relationships between files. The documentation aids in understanding and interpreting the software and includes file definitions.

10. The files are designated areas for storing information on a computer system. There are no standards for determining which files are needed to accomplish a particular task. The determination of how to store data in files is a crucial element in the development process of the computer software system. This layout or blueprint for data storage is the foundation upon which a computer system is built, and is the result of a creative thought process. For example, when creating a file, a system designer must make numerous decisions concerning the material to be included in the file, the order of the material and how that material can be accessed and used by the system.

11. Fields represent specific locations within files for storing individual pieces of information. There are no standards for positioning pieces of information within a file group or group of files. The determination of which information to store in a particular field is a crucial element in the development process of the computer software.

12. TSI's file structures, definitions and organization and all other aspects of TSI's software and documentation, which TSI maintains as a trade secret, provide ease of use, efficiency and other characteristics desirable to end users, and gives the TSI software and documentation added economic value. TSI's software and documentation derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. TSI's software also is distinct and unique because it runs in the Pick Operating System, which allows for the development of a more flexible system that is extremely file oriented. This also gives TSI a significant competitive advantage.

13. TSI's software and documentation is a proper subject matter for copyright under the laws of the United States. TSI has registered its copyright in its computer software and documentation with the United States Copyright Office. The software at issue in this case has been properly registered with the copyright office since at least October 29, 1984. The TSI software is protected under the Copyright Act as an unpublished work containing trade secrets pursuant to copyright registration numbers TX 2 114 301, TX 2 114 302, TXu 365-275, TX 2 114 303, TX 2 114 304, TXu 365-066, TX 2 114 306, TX 2 114

307, TX 2 114 308, TXu 397-235. TSI owns all of these computer copyrights, which cover the entire Tingley software, including every version of the Tingley software involved in this action.

14. To protect its valuable property rights in its software, user manual and documentation, TSI provides rights of access and use to its software, user manual and documentation only pursuant to agreements which contain strict limitations on application, use, disclosure and copying, and strict confidentiality requirements. TSI imposes these limitations and confidentiality requirements and enforces them so that TSI can protect its ownership and property rights in its software, user manuals and documentation, which are TSI's most valuable resources. The source code, menu screens and documentation of the Tingley software feature a confidentiality and copyright notice. Tingley requires its employees to sign confidentiality agreements and requires all employees of TSI's software licensees to sign confidentiality agreements preventing their disclosure of the Tingley software.

15. All of TSI's software and documentation contain valid notices of its copyright.

(The Software License Agreement)

16. TSI entered into a Software License Agreement (hereinafter "License") with Bay State HM on or about March 14, 1989. A true and correct copy of the License is attached as Exhibit A to this Amended Complaint.

17. TSI licensed the following software owned by TSI to Bay State HM, subject to the terms and conditions of the License:

A. Enrollment/Premium Billing;

B. Direct Pay Billing;

C. Claims Processing/Utilization Review;

D. Financial Systems (88A);

4.1 Accounts Receivable

4.2 Accounts Payable

4.3 General Ledger

4.4 Corporate Consolidator

E. HMO Controller/Authorization Referral

F. CompuServe Interface

This software is referred to collectively in this Amended Complaint as "the TSI Software."

18. TSI maintains the source code (including, but not limited to, structure, sequence, organization, file and field structures and file and field names and definitions) and documentation for the TSI Software as a trade secret.

19. Pursuant to paragraph 2 of the License, TSI granted "to Licensee a non-exclusive and non-transferable license to use the Software only on the Hardware and only at Licensee's site during the License term." Licensee is defined in paragraph 1 as "Bay State HM [which is previously defined in the Preamble as "Bay State HMO Management, Inc."] and its Affiliates." "Affiliates" are defined in paragraph 1(b) of the License as "Bay State Health Care, Inc. [BSHC] and any entity

which, either directly or indirectly, through one or more intermediaries, is controlled by Bay State Health Care, Inc." All of the then current Affiliates were listed in Exhibit A to the License. All Affiliates were bound by the License and subject to all of the terms and conditions of the License, pursuant to paragraph 1(a) of the License.

20. Paragraph 4 of the License provides:

> Licensor owns the Software, User Manual and Documentation, and such ownership includes, but is not limited to, all rights to patents, copyrights, trademarks and trade secrets, in and appurtenant to the Software, User Manual and Documentation. Licensee may modify the Software in any manner which it deems appropriate and is hereby granted the right, on a non-exclusive, non-transferable basis, to use the Software, as so modified, to the same extent it is licensed to use the Software pursuant to Section 2, provided that (a) all modifications and all copies thereof shall be the sole property of Licensor; (b) the obligations of Licensee under the provisions of this Agreement, . . . shall apply with respect to any modification permitted under Section 4; and (c) Licensee shall provide Licensor with a monthly, updated version of the Software.

21. Paragraph 5 of the License restricts Bay State HM's use of the TSI Software. It provides that the software **"shall be used only for the processing of Licensee's data in the Licensee's business."** (Emphasis added).

22. Paragraph 6 of the License provides, among other things:

Licensee shall not copy or otherwise reproduce the Software, User Manual or Documentation or any part of it, except as necessary for the normal back-up and operation of the system . . . Licensee shall take reasonable security precautions to prevent unauthorized reproduction of the Software, including keeping the Software in a locked and secure place when not in regular use, using passwords made known only to Licensee's employees who use the Software as a regular part of their employment, and notifying its employees of the requirements of this provision.

23. Paragraph 7 of the License provides that:

Licensee shall not sell, transfer, publish, disclose, display or otherwise make available to others the Software, User Manual or Documentation or any other material relating to the Software. Licensee shall protect the Software, User Manual and Documentation from unauthorized access and use . . . Licensee acknowledges that the Software, User Manual and Documentation contain proprietary trade secrets of Licensor and agrees to maintain the confidentiality of the Software (including screen displays), User Manuals and Documentation . . . [including] giving its employees written notification of the requirements of this provision. Licensee shall advise Licensor immediately if Licensee learns or has reason to believe that any Person has violated or intends to violate the terms of this provision, and Licensee . . . will cooperate with Licensor in seeking injunctive or other equitable relief . . . against any such Person. Such cooperation includes, but is not limited to giving Licensor access to all relevant documents and

opportunity to interview Licensee's employees. Licensee acknowledges that the Disclosure of any aspect of the Software, User Manual or Documentation, which at law or equity, ought to remain confidential, may give rise to irreparable injury to Licensor which cannot be adequately compensated in money damages. Accordingly, Licensor may seek injunctive relief against the breach or threatened breach of these confidentiality requirements, . . . if Licensee refuses to cooperate when notified of a breach of threatened breach of any of the confidentiality provisions and prohibitions against copying in this Agreement, Licensee agrees that Licensor is entitled to a preliminary injunction enjoining such breach or threatened breach.

24. Paragraph 7 of the License also provides:

Licensee agrees that Licensor may inspect Licensee's Site at reasonable times to determine whether Licensee is complying with these confidentiality requirements and the prohibitions against copying . . . Licensee agrees to cooperate with Licensor in connection with any such inspections including without limitation, providing access to all hardware, software and facilities used in connection with the operation of the Software . . . Licensee shall require all of its employees who have access to the source code and/or design concepts of the system to sign a Confidentiality Agreement in the form attached as Exhibit D . . . Licensee shall provide Licensor with a copy of each such Confidentiality Agreement.

25. Paragraph 8 of the License provides in part that "Licensee shall not provide access to the Software to any

third party for the data conversion for any purpose, including but not limited to, conversion to another software system."

(Breaches of the Software License Agreement)

26. Bay State HM has breached and/or has threatened to breach the License, including the License provisions identified above.

27. Beginning in 1990, Bay State HM began to use the source code to the TSI Software to develop two software packages known as Point of Sale ("POS") and Decision Support System ("DSS"). Point of Sale is intended to allow a provider of services (a physician who has contracted with an HMO) to verify patient eligibility, refer patients for specialty care to other providers and check on the status of HMO accounts. The TSI Software performs similar functions, except that the functions are performed by the HMO, not by the providers at the providers' office. DSS takes TSI files and builds related files of the same data so that end users can write customized reports using SQL, a generalized report writer. DSS shows how TSI stores data, sets up TSI codes and how the TSI files interact. POS and DSS incorporate the TSI Software file structure and copy substantial portions of the TSI Software.

28. Source code, a human readable version of computer software, is necessary to make modifications and changes to software. Bay State HM had a copy of TSI's source code and documentation because Bay State HM obtained the source code pursuant to the License. Bay State HM kept the source code to the TSI Software on Bay

State HM's computer so that it was readily and quickly available to Bay State HM's employees electronically.

29. When Bay State HM developed POS and DSS, Bay State HM represented to TSI that Bay State HM considered POS and DSS to be modifications to the TSI Software, made in accordance with paragraph 4 of the License. Bay State HM also represented to TSI that all of the development work on POS and DSS was done in-house by employees of Bay State HM. Bay State HM acknowledged TSI's ownership of POS and DSS until approximately September 1992, when BCBSMA took over Bay State HM.

30. In July of 1992, TSI learned that BCBSMA was purchasing BSHC. On August 5, 1992, Margie Tingley sent a letter to Robert Hollinger terminating the license for the TSI Software. On August 11, 1992, Robert Hollinger wrote to Margie Tingley representing that BSHC would be absorbed by BCBSMA through a dissolution transaction approved by the Massachusetts Supreme Judicial Court. Mr. Hollinger further stated in his letter that the transaction had not yet been consummated.

31. After receiving Mr. Hollinger's August 11, 1992 letter, Margie Tingley called Mr. Hollinger to obtain further clarification as to the nature and timing of the transaction. Ms. Tingley was assured by Mr. Hollinger that no dissolution had occurred and that, in fact, BCBSMA had requested an extension from the State of Massachusetts and would be absorbing BSHC by a purchase transaction. Mr. Hollinger told Ms. Tingley that he would inform her when the actual transaction took place.

32. On September 29, 1992, unbeknownst to TSI, BSHC was dissolved by order of the Massachusetts Supreme Judicial Court. At the time of its dissolution, BSHC had a negative net worth of approximately $130 million and was losing approximately $5 million per month. Bay State HM and BCBSMA did not disclose to TSI that BSHC was dissolved or that BSHC had a negative net worth. TSI had no knowledge that this had occurred. Jim Carmona of Bay State HM instead informed TSI only that BSHC was not performing as well financially as they had planned and that, therefore, BCBSMA was acquiring all of the stock of BSHC and would be financially assisting BSHC. BCBSMA represented to TSI that it would be absorbing BSHC. In fact, as TSI now has learned, BSHC was dissolved and BCBSMA has taken over all of BSHC's HMO member and provider accounts. BCBSMA and Bay State HM misrepresented the nature of this transaction to TSI to avoid paying a relicense fee of $408,810 and to avoid termination of the License under paragraphs 2 and 3 of the License. TSI continued to receive correspondence from BSHC after its dissolution which indicated that BSHC was still a going concern.

33. Since the time that BCBSMA acquired Bay State HM, Bay State HM has operated without its own executive management or its own Board of Directors. Instead BCBSMA has directly operated Bay State HM with BCBSMA executive personnel. Bay State HM now is processing the data of BCBSMA, which is not a party to the License. BCBSMA is enjoying the benefits of the TSI Software and License, but is not a party to the License and has no contractual duties or obligations to TSI under the License, as did BSHC.

34. The devastating financial condition of BSHC resulted from the conduct of BSHC's executive management, who engaged in dishonest practices to substantially enhance their own compensation. BSHC's executive management also controlled and operated Bay State HM. Under their direction, BSHC underpriced its products to substantially increase its membership. Then BSHC intentionally overstated its net income and net worth by understating claims reserves and incurred claims expense. Executive management received compensation based upon the financial performance of BSHC. As a result of overstating net income and net worth by understating reserves and expenses, executive management received substantially greater compensation than they otherwise would have received, far in excess of compensation normally received by officers of similarly situated HMOs in the industry. The executive officers at BSHC also manipulated the Management agreement between Bay State HM and BSHC to boost their executive compensation. As a result of its fraudulent accounting practices, BSHC experienced a $12,300,000 loss in 1990 that was not anticipated or provided for. BSHC continued these practices until the Commonwealth of Massachusetts discovered BSHC's true financial condition, which led to BSHC's dissolution in September 1992.

35. Before BSHC's practices were uncovered, BSHC's executive management embarked on creating an HMO computer system "of the future" called the Baystar project. To facilitate this, they formed two new companies called Baystar Systems, Inc. and Baystar Productions, Inc. In December 1993 these companies were merged into Bay State Health Care Holdings, Inc., a subsidiary of

BCBSMA. A large multinational computer consulting firm known as CSC Partners (a division of Computer Science Corp.) was given a multi-million dollar contract to define, and begin development of, the Baystar system. Bay State HM put the Baystar system out for bid and received bids ranging from $10 million to $25 million to create this system. Bay State HM could not afford such an expensive undertaking and decided to develop Baystar internally. This required enormous time, talent and money, which the executive officers of Bay State HM and BSHC knew they did not have. The cost to develop file structures, which are the core of such a software system, would be enormous. The cost of developing such a system could be greatly reduced, however, by copying file structures that already existed. Bay State HM copied and incorporated substantial portions of TSI's source code and file structures for the TSI Software in the Baystar programs.

36. After BCBSMA took control of Bay State HM in September 1992, BCBSMA wanted ownership of POS and DSS. BCBSMA instructed Bay State HM, which BCBSMA now owned and controlled, to take the position that POS and DSS were not owned by TSI but were owned by Bay State HM.

37. When BCBSMA acquired Bay State HM, BCBSMA and Bay State HM informed TSI that all of BCBSMA's computer processing was out-sourced on site at BCBSMA to Electronic Data Systems Corporation ("EDS"). EDS is a competitor of TSI. Bay State HM and BCBSMA sought to modify the License so that EDS employees would be given access to the TSI Software.

(Negotiations to Modify the License)

38. On or about April 6, 1993, representatives of BCBSMA, EDS and Bay State HM came to San Antonio, Florida to negotiate a modification to the License with TSI. During the meeting the parties orally agreed that EDS employees who previously worked for Bay State HM be given access to the TSI Software for a period of 10 months for a substantial sum to be agreed upon. At the conclusion of the meeting, BCBSMA then presented TSI with a pre-prepared letter agreement that tied in the issue of ownership of POS and DSS to the issue regarding the access of EDS to the TSI Software. BCBSMA offered to pay TSI $200,000 under this arrangement. TSI rejected this offer.

39. In response to Bay State HM's sudden insistence that it own POS and DSS, TSI demanded (a) the right to review the documentation used in the design and development of POS and DSS and all file layouts for all files, (b) names of all the people involved in the design and development of POS and DSS, and (c) access to and the opportunity to interview Bay State HM programmers who participated in writing POS and DSS. Bay State HM agreed to this and TSI's President, Margie Tingley, flew to Boston, Massachusetts on April 14, 1993 to conduct an investigation. When she arrived, Bay State HM gave her only limited access to POS and DSS and did not permit interviews of any Bay State HM programmers, although the License requires that they give TSI such access.

40. During her investigation, Margie Tingley discovered that: (a) Bay State HM hired consultants to assist in developing and writing POS and DSS; (b) Bay State

HM disclosed to these consultants confidential information regarding the TSI Software, documentation, user manuals, file structures and definitions and file lay-outs; (c) many of the proprietary features of the TSI Software were copied into the design document for POS and DSS; (d) the Bay State HM programmers prepared a detailed file by file and data field by data field review of the TSI Software describing exactly what data was captured and how it was used and then disclosed this information to consultants; (e) the Bay State HM programmers supporting the TSI Software wrote the POS system and both products resided on the same machine for some period of time; (f) when POS and DSS were developed, Bay State HM transferred the TSI Software to an unauthorized computer and operated the TSI Software on such computer for purposes of creating POS and DSS; and (g) Bay State HM had engaged in other conduct that violated the License and TSI's proprietary rights in the TSI Software.

41. TSI confronted Bay State HM with the information discovered by Margie Tingley during her investigation. BCBSMA then began discussing with TSI a purchase of POS and DSS from TSI and asked TSI to provide them with a proposal that included the sale of POS and DSS to Bay State HM or BCBSMA.

42. On April 23, 1993, TSI sent a proposal to Bay State HM and BCBSMA, whereby (a) BCBSMA could purchase POS and DSS from TSI, (b) BCBSMA could obtain a blanket license for unlimited use of POS and DSS for the sum of $500,000 or (c) BCBSMA would obtain a single CPU license under TSI's standard terms and conditions for the sum of $50,000. On April 30, 1993, BCBSMA wrote to TSI increasing its offer to $350,000 for the right

of EDS to use the TSI Software for 10 months and requiring an acknowledgement by TSI that POS and DSS are not owned by TSI. TSI and BCBSMA had further discussions up through Thursday, June 10, 1993. BCBSMA communicated to TSI on Thursday, June 10, that BCBSMA wanted to purchase, rather than license, POS and DSS from TSI and that they would make another purchase proposal to TSI on Monday, June 14, 1993. Instead, on Monday, June 14, 1993, BCBSMA faxed to TSI a complaint against TSI which BCBSMA said Bay State HM had filed against TSI in Massachusetts that day.

(Piercing the Corporate Veil)

43. Beginning in or about September 1992, the same controlling persons exercised active and pervasive control over Bay State HM and BCBSMA. By reason of the relationship between Bay State HM and BCBSMA, there have been fraudulent and injurious consequences which have damaged TSI.

44. Beginning in or about September 1992, there has been a confused intermingling of activity of Bay State HM and BCBSMA with substantial disregard of the separate nature of the corporate entities or serious ambiguity about the manner and capacity in which Bay State HM and BCBSMA and their respective representatives are acting.

45. As a consequence thereof, BCBSMA is liable for the illegal acts and conduct of Bay State HM as alleged herein.

(Conditions Precedent)

46. All conditions precedent to this action have been performed, waived or occurred.

47. TSI has retained the undersigned attorneys and has agreed to pay them a reasonable fee for their services in this matter.

Count I

(Breach of Software License Agreement – Bay State HM and BCBSMA)

48. TSI realleges and incorporates herein the allegations in paragraphs 1 through 47 above.

49. Bay State HM and BCBSMA breached the License by, among other things, (a) using the TSI Software for something other than the processing of Bay State HM's data in violation of paragraph 5 of the License; Bay State HM's use of the TSI Software to develop POS and DSS violated paragraph 5 of the License; (b) using the TSI Software to process data other than data of Bay State HM; Bay State HM's use of the TSI Software to process the data of BCBSMA violates paragraph 5 of the License; Bay State HM is acting as a service bureau to BCBSMA in violation of paragraph 5 of the License; (c) copying substantial portions of the TSI Software in violation of paragraph 6 of the License; (d) failing to take reasonable precautions to prevent unauthorized reproduction of the Software in violation of paragraph 6 of the License; (e) allowing companies that are no longer "Affiliates," because they are no longer controlled by BSHC, to use the TSI Software in violation of paragraphs 2 and 5 of the

License; (f) claiming ownership in POS and DSS in violation of paragraphs 4 and 5 of the License; (g) allowing the TSI Software to be used to assist in the development of the Baystar project in violation of paragraph 5 of the License; (h) disclosing the TSI source code and field and file names, definitions and layouts for the TSI Software to CSC Partners and other consultants in violation of paragraph 7 of the License; (i) failing to maintain the confidentiality of the TSI Software and failing to advise TSI of a breach or threatened breach of the confidentiality obligations in violation of paragraph 7 of the License; (j) failing to cooperate with TSI in connection with TSI's investigation of the disclosure of confidential information in breach of paragraph 7 of the License; (k) failing to give TSI access to all relevant documents in breach of paragraph 7 of the License; (l) failing to let TSI inspect the Site, including all hardware, software and facilities, in breach of paragraph 7 of the License; (m) failing to provide TSI with copies of all confidentiality agreements signed by employees and others as required by paragraph 7 of the License; (n) failing to timely obtain signed confidentiality agreements in breach of paragraph 7 of the License; (o) failing to provide monthly updated versions of POS and DSS to TSI in violation of paragraph 7 of the License; (p) allowing access to the TSI Software by a third party in violation of paragraph 8 of the License; (q) failing to place TSI's proprietary notices on all copies of the TSI Software, including but not limited to POS and DSS programs, in violation of paragraph 6 of the License, and (r) continuing to use TSI Software after TSI terminated the license on August 5, 1992.

50. As a direct, proximate result of the breach of the License by Bay State HM and BCBSMA, TSI has been damaged.

51. TSI continues to sustain irreparable injury as a result of the beach of the License by Bay State HM and BCBSMA.

52. TSI has no adequate remedy at law, and is likely to succeed on the merits at the conclusion of this case. Bay State HM, in paragraph 7 of the License, consented to entry of a preliminary injunction under these circumstances.

WHEREFORE, TSI requests that this Court:

A. Enter a temporary and permanent injunction (i) prohibiting Bay State HM, BCBSMA and all persons acting in concert with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using any TSI Software or documentation, including but not limited to, the POS and DSS software, and (ii) compelling Bay State HM and BCBSMA to return to TSI all copies of the TSI Software and documentation in their possession, custody or control, including, but not limited to, the POS and DSS software; and

B. Award TSI compensatory damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count II

(Misappropriation of Trade Secrets,
Florida Law – Bay State HM and BCBSMA)

53. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 47 above.

54. The TSI Software and documentation constitute a trade secret of TSI within the meaning of Fla. Stats. § 688.002.(4). TSI has made reasonable efforts to maintain the secrecy of the TSI Software and documentation, including limiting disclosure through restrictive licensing agreements, requiring TSI employees and employees of Licensees to sign confidentiality agreements regarding the TSI Software, and placing confidentiality legends on the TSI Software and documentation.

55. Despite the foregoing, Bay State HM and BCBSMA wilfully and maliciously disclosed TSI's trade secrets and used TSI's trade secrets for unauthorized purposes without TSI's consent. TSI has not authorized Bay State HM or BCBSMA to make use of the TSI Software or documentation beyond the bounds described in the License.

56. At the time of Bay State HM's and BCBSMA's disclosure and unauthorized use, Bay State HM and BCBSMA knew or should have known that the TSI Software and documentation was acquired under circumstances giving rise to a duty to maintain its secrecy. The License established a duty of confidence and trust owed to TSI by Bay State HM and BCBSMA. Bay State HM and BCBSMA breached that duty of confidence and trust by misappropriating TSI's Software and documentation.

57. TSI has been damaged and continues to sustain irreparable injury as a result of Bay State HM's and BCBSMA's misappropriation of the TSI Software and documentation.

58. Bay State HM has threatened that it intends to give EDS and BCBSMA access to POS and DSS and provide access to other unauthorized third parties, thereby disclosing valuable trade secrets of TSI.

59. TSI has no adequate remedy at law, and is likely to succeed on the merits at the conclusion of this case.

60. Bay State HM acknowledged in paragraph 7 of the License that the TSI Software and documentation are trade secrets of TSI and that TSI is entitled to a preliminary injunction under these circumstances. TSI also is entitled to an injunction pursuant to Fla. Stats. § 688.003.

WHEREFORE, TSI requests that this Court:

A. Enter a temporary and permanent injunction (i) prohibiting Bay State HM, BCBSMA and all persons acting in concert with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using any TSI Software or documentation, including but not limited to, the POS and DSS software, and (ii) compelling Bay State HM and BCBSMA to return to TSI all copies of the TSI Software and documentation in their possession, custody or control, including, but not limited to, the POS and DSS software; and

B. Award actual damages and punitive damages, attorney's fees pursuant to Fla. Stats. § 688.005, costs, interest and such other and further relief as this Court deems just and proper.

Count III

(Trade Secret Misappropriation,
Massachusetts Law –
Bay State HM and BCBSMA)

61. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 47 above.

62. The TSI Software and documentation constitute a trade secret of TSI within the meaning of the Massachusetts common law and Mass. Gen. Laws c. 93, §§ 42 and 42A. TSI has made reasonable efforts to maintain the secrecy of the TSI Software and documentation, including limiting disclosure through restrictive licensing agreements, requiring TSI employees and employees of Licensees to sign confidentiality agreements regarding the TSI Software, and placing confidentiality legends on the TSI Software and documentation.

63. Despite the foregoing, Bay State HM and BCBSMA wilfully and maliciously disclosed TSI's trade secrets and used TSI's trade secrets for unauthorized purposes without TSI's consent. TSI has not authorized Bay State HM or BCBSMA to make use of the TSI Software or documentation beyond the bounds described in the License.

64. At the time of Bay State HM's and BCBSMA's disclosure and unauthorized use, Bay State HM and BCBSMA knew or should have known that the TSI Software and documentation was acquired under circumstances giving rise to a duty to maintain its secrecy. The License established a duty of confidence and trust owed to TSI by Bay State HM and BCBSMA. Bay State HM and

BCBSMA breached that duty of confidence and trust by misappropriating TSI's software.

65. TSI has been damaged and continues to sustain irreparable injury as a result of Bay State HM's and BCBSMA's misappropriation of the TSI Software and documentation.

66. Bay State HM has threatened that it intends to give EDS and BCBSMA access to POS and DSS and provide access to other unauthorized third parties, thereby disclosing valuable trade secrets of TSI.

67. TSI has no adequate remedy at law, and is likely to succeed on the merits at the conclusion of this case.

68. Bay State HM acknowledged in paragraph 7 of the License that the TSI Software and documentation are trade secrets of TSI and that TSI is entitled to a preliminary injunction under these circumstances. TSI also is entitled to an injunction under the Massachusetts common law and Mass. Gen. Laws c. 93, § 42A.

WHEREFORE, TSI requests that this Court:

A. Enter a temporary and permanent injunction (i) prohibiting Bay State HM, BCBSMA and all persons acting in concert with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using any TSI Software or documentation, including but not limited to, the POS and DSS software, and (ii) compelling Bay State HM and BCBSMA to return to TSI all copies of the TSI Software and documentation in their possession, custody or control, including, but not limited to, the POS and DSS software; and

B. Award TSI double its damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count IV

(Copyright Infringement – Bay State HM and BCBSMA)

69. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 47 above.

70. At all relevant times, TSI complied in all respects with the Copyright Act, 17 U.S.C. § 101, *et. seq.* and secured the exclusive rights and privileges in and to the copyrights in the TSI Software and documentation. The TSI Software and documentation is an original work, copyrightable under the Copyright Act, and has been copyrighted in full compliance with the Copyright Act. Since the dates of its registrations, the TSI Software and documentation has been manufactured by TSI or under TSI's authority. All copies of such items made by TSI or under its authority have been manufactured in strict conformity with the provisions of the Copyright Act and all other applicable laws governing copyrights. TSI has fully maintained the validity of its copyrights in these works. Since the creation of the TSI Software and documentation, TSI has been and still is the sole proprietor of all rights, title and interest in and to the copyrights in the TSI Software and documentation. TSI has not authorized Bay State HM or BCBSMA to copy, reproduce, manufacture, duplicate, disseminate, distribute or use the TSI Software, except as specifically permitted in the License.

71. Bay State HM's and BCBSMA's acts as set forth above constitute infringement of TSI's copyrights in the TSI Software in violation of the Copyright Act, 17 U.S.C. § 101 *et. seq.*

72. Bay State HM's and BCBSMA's acts of reproduction and copying of the TSI Software were deliberate, willful, malicious, oppressive and without regard to TSI's proprietary rights.

73. Bay State HM's and BCBSMA's copyright infringement has caused, and will continue to cause, TSI to suffer substantial injuries, loss and damage to its proprietary and exclusive rights to, and copyrights in, the TSI Software. It further has damaged TSI's business and good will, diverted trade, and caused a loss of profits in an amount not yet ascertained.

74. Bay State HM's and BCBSMA's copyright infringement, and the threat of continuing infringement, has caused and will continue to cause TSI to suffer repeated and irreparable injury. It would be difficult to ascertain the amount of money damages that would afford adequate relief at law for Bay State HM's and BCBSMA's continuing acts. TSI's remedy at law is not adequate to compensate it for the injuries already inflicted and further threatened by Bay State HM and BCBSMA. Bay State HM and BCBSMA, therefore, should be restrained and enjoined pursuant to the Copyright Act, 17 U.S.C. § 101 *et. seq.* and pursuant to paragraphs 4 and 7 of the License.

WHEREFORE, TSI requests that this court enter a temporary and permanent injunction (1) prohibiting Bay State HM and BCBSMA and all persons acting in concert

with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using any TSI Software or documentation, including but not limited to the POS and DSS software; and (2) compelling Bay State HM and BCBSMA to return to TSI all copies of the TSI Software in their possession, custody or control, including but not limited to the POS and DSS software. TSI further requests that this Court (1) award TSI damages; (2) award TSI its attorney's fees pursuant to 17 U.S.C. § 505, the cost of suit and interest; and (3) award TSI such other and further relief as the Court deems just and proper.

Count V

(Fraud – Bay State HM and BCBSMA)

75. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 47 above.

76. Bay State HM and BCBSMA intentionally made certain representations to TSI as alleged in paragraphs 29 - 32 and 42 above.

77. Said representations were false.

78. Bay State HM and BCBSMA knew that said representations were false.

79. Bay State HM and BCBSMA made said representations to TSI with the intent that TSI rely thereon.

80. TSI did rely upon said representations to its detriment.

81. As a result thereof, TSI suffered damages in an amount to be determined at trial.

WHEREFORE, TSI requests that this Court award TSI compensatory and punitive damages, attorney's fees, costs,

Count VI

(Fraud – Bay State HM)

82. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 47 above.

83. Between April and December, 1990, Bay State HM negotiated with TSI to purchase rights to utilize the TSI software to develop its own software packages. Margie Tingley sent a letter to James Carmona of Bay State HM informing him that the right to use the TSI software for these purposes would cost $5,000,000, with the understanding that such an agreement would not affect TSI's copyright in the software.

84. Jim Carmona represented to TSI on behalf of Bay State, in April or May, 1990 and in October of 1990, that a "Chinese wall" and clean room development approach were being utilized by Bay State to develop Bay State-owned software, and that no one who worked with or had access to the TSI system would be developing Bay State-owned software. He represented that all Bay State-owned software was being created through "independent development".

85. Despite the representation by Bay State that it was using "Chinese wall" and clean room development procedures to develop its own software, no such procedures were used. Bay State programmers who worked regularly on the TSI software were the developers of

BayStar. TSI's file structures, which are part of the TSI software, were disclosed to CSC. Bay State gave CSC personnel access to confidential and proprietary information about the TSI system including, but not limited to, the file structures, data elements, file layouts, file documentation, keys and foreign keys of the TSI system.

86. The representations by Bay State to TSI concerning the clean room procedures and "Chinese wall" that were supposedly being used to protect the confidential and proprietary trade secret information of TSI were false.

87. Bay State HM knew that said representations were false.

88. Bay State HM made these representations to TSI with the intent that TSI rely on them.

89. TSI relied on the false representations to its detriment.

90. As a result thereof, TSI suffered damages.

WHEREFORE, TSI requests that this Court award TSI compensatory and punitive damages, attorneys' fees, costs, interest, and such other and further relief as this Court deems just and proper.

Count VII

(Mass. Gen. Laws c. 93A – Bay State HM and BCBSMA)

91. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 47 and 76 through 81 above.

92. TSI is a "person" and engages in "trade or commerce" within the meaning of Mass. Gen. Laws c. 93A, § 1.

93. Defendants are "persons" and engage in "trade or commerce" within the meaning of Mass. Gen. Laws c. 93A, § 1.

94. Defendants' practices as set forth above constitute willful and knowing "unfair methods of competition" and "unfair or deceptive acts or practices" within the meaning of Mass. Gen. Laws c. 93A, §§ 2 and 11.

95. As a direct, proximate result thereof, TSI will suffer substantial, immediate and irreparable harm and damages unless defendants are enjoined from their unlawful activity. In addition, defendants owe TSI treble damages in an amount to be determined at trial.

WHEREFORE, TSI requests that this Court award TSI treble its damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count VIII

(Aiding and Abetting Liability – BCBSMA)

96. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 86 above.

97. BCBSMA knowingly and intentionally caused, assisted, aided and abetted Bay State HM to breach its License with TSI.

98. BCBSMA knowingly and intentionally caused, assisted, aided and abetted Bay State HM to misappropriate the trade secrets of TSI.

99. BCBSMA knowingly and intentionally caused, assisted, aided and abetted Bay State HM to infringe the copyright rights of TSI.

100. BCBSMA knowingly and intentionally caused, assisted, aided and abetted Bay State HM to make misrepresentations to TSI.

101. BCBSMA knowingly and intentionally caused, assisted, aided and abetted Bay State HM to engage in unfair methods of competition and unfair or deceptive acts or practices.

102. BCBSMA knew that the aforesaid conduct of Bay State HM violated the legal rights of TSI, but BCBSMA nevertheless gave substantial assistance and encouragement to Bay State HM to so conduct itself.

103. As a direct, proximate result thereof, BCBSMA is liable to TSI for aiding and abetting the aforesaid violations of the legal rights of TSI.

WHEREFORE, TSI requests that this Court award TSI compensatory damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count IX

(Interference with Contract – BCBSMA)

104. TSI realleges and incorporates the allegations made in paragraphs 1 through 47 above.

105. BCBSMA knew that Bay State HM had a pre-existing contract with TSI.

106. Despite said knowledge, BCBSMA interfered with said contract.

107. Said interference by BCBSMA was intentional, malicious and without lawful justification.

108. As a direct, proximate result thereof, Bay State HM has breached its License with TSI causing damages to TSI.

WHEREFORE, TSI requests that this Court award TSI compensatory and punitive damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

COUNT X

(Quantum Meruit – BCBSMA)

109. TSI realleges and incorporates by reference the allegations made in paragraphs 1 through 47 above.

110. BCBSMA has been unjustly benefitted and enriched in that BCBSMA is enjoying the benefits of the TSI Software and License, under circumstances in which the License would have been terminated if the truth of BSHC's financial condition had been disclosed. BCBSMA has not paid a license fee to TSI and is not a party to the License. BCBSMA should be required to compensate TSI and pay a license fee for BCBSMA's use and enjoyment of the TSI software.

WHEREFORE, TSI requires that this Court award TSI compensatory damages, attorneys fees, costs, interest and

such other and further relief as this Court deems just and proper.

JURY TRIAL DEMAND

TSI demands a trial by jury on all issues so triable.

/s/ Illegible
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Florida Bar No. 371319
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 25th day of July, 1995, a true and correct copy of the foregoing was furnished by U.S. Mail to Andrew C. Griesinger, Esquire of Choate, Hall & Stewart, Exchange Place, 53 State Street, Boston, Massachusetts 02109-2891 and to Marc Temin,

Esquire of Foley, Hoag & Eliot, One Post Office Square, Boston, Massachusetts 02109.

/s/ Illegible
Attorney

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

TINGLEY SYSTEMS, INC., Plaintiff,	C.A. NO. 95-10284
vs.	
CSC CONSULTING, INC., f/k/a CSC PARTNERS, INC., Defendant.	

AMENDED COMPLAINT
INJUNCTIVE RELIEF REQUESTED

Plaintiff, Tingley Systems, Inc. ("TSI"), sues the defendant, CSC Consulting, Inc., f/k/a CSC Partners ("CSC") and alleges:

Parties

1. TSI is a Florida corporation with its principal place of business in San Antonio, Florida. TSI creates, supports and distributes computer software for the health care management organization ("HMO") industry.

2. CSC is a Massachusetts corporation with its principal place of business in Waltham, Massachusetts. CSC is a subsidiary corporation of Computer Sciences Corporation and a sister corporation of CSC COMTEC, one of

TSI's largest competitors. CSC provides computer technology consulting services and systems design, development and integration services.

Jurisdiction

3. The matter in controversy exceeds the sum of Fifty Thousand Dollars ($50,000), exclusive of interest and costs, and the parties are of diverse citizenship. This Court has jurisdiction pursuant to 28 U.S.C. § 1332.

4. This Court also has subject matter jurisdiction pursuant to 17 U.S.C. § 501, 28 U.S.C. § 1331 and 28 U.S.C. § 1338(a). This case is a civil action arising under the copyright laws of the United States.

Factual Background

(The TSI Software)

5. TSI licenses its computer software for the HMO industry throughout the United States. TSI has made over 70 installations of its software throughout the United States. TSI's sole source of income and support comes from TSI's licensing and support of TSI's software and associated hardware sales.

6. TSI has invested tens of thousands of man-hours in developing the software which it licenses to the HMO industry. The development of this software began before 1980 and has continued through the present date. The cost of developing this software exceeds Ten Million Dollars ($10,000,000).

7. TSI's software consists of, among other things, source code and file structures. TSI maintains the source code, file structures and documentation for its software as a trade secret. The source code includes the human readable programming instructions and the structure, sequence and organization of those programming instructions within the software. The file structure includes the organization of data within a file and defines the relationships between files. The documentation aids in understanding and interpreting the software and includes file definitions.

8. The files are designated areas for storing information on a computer system. There are no standards for determining which files are needed to accomplish a particular task. The determination of how to store data in files is a crucial element in the development process of the computer software system. This layout or blueprint for data storage is the foundation upon which a computer system is built, and is the result of a creative thought process. For example, when creating a file, a system designer must make numerous decisions concerning the material to be included in the file, the order of the material, how that material can be accessed and used by the system and the way in which it will be linked to other files.

9. Fields represent specific locations within files for storing individual pieces of information. There are no standards for positioning pieces of information within a file group or group of files. The determination of which information to store in a particular field is a crucial

element in the development process of the computer software. This too is a product of an individual's creativity and makes a system unique.

10. TSI's file structures, definitions and organization and all other aspects of TSI's software and documentation, which TSI maintains as a trade secret, provide ease of use, efficiency and other characteristics desirable to end users, and gives the TSI software and documentation added economic value. TSI's software and documentation derives independent economic value from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. TSI's software also is distinct and unique because it runs in the PICK Operating System, which allows for the development of a more flexible system that is extremely file-oriented. This also gives TSI a significant competitive advantage.

11. TSI's software and documentation is a proper subject matter for copyright under the laws of the United States. TSI has registered its copyright in its computer software and documentation with the United States Copyright Office. The software at issue in this case has been properly registered with the Copyright Office since at least October 29, 1984. The TSI software is protected under the Copyright Act as an unpublished work containing trade secrets pursuant to copyright registration numbers TX 2-114-301, TX 2-114-302, TXU-365-275, TX 2-114-303, TX 2-114-304, TXU-365-066, TX 2-114-306, TX 2-114-307, TX 2-114-308, TXU-397-235, and TXU-647-631. TSI owns all of these computer copyrights, which cover the entire Tingley software, including every version of the Tingley software involved in this action.

12. To protect its valuable property rights in its software, user manual and documentation, TSI provides rights of access and use to its software, user manual and documentation only pursuant to agreements which contain strict limitations on application, use, disclosure and copying, and strict confidentiality requirements. TSI imposes these limitations and confidentiality requirements and enforces them so that TSI can protect its ownership and property rights in its software, user manuals and documentation, which are TSI's most valuable resources. The source code, screens and documentation of the TSI software feature a confidentiality and copyright notice. TSI requires its employees to sign confidentiality agreements and requires all employees of TSI's software licensees to sign confidentiality agreements preventing their disclosure of the TSI software.

13. All of TSI's software and documentation contain valid notices of its copyright.

(The Software License Agreement)

14. TSI entered into a Software License Agreement (hereinafter "License") with Bay State HMO Management, Inc. ("Bay State"), on or about March 14, 1989. A true and correct copy of the License is attached as Exhibit A to this Complaint.

15. TSI licensed the following software owned by TSI to Bay State, in both object and source code form, subject to the terms and conditions of the License:

A. Enrollment/Premium Billing;

B. Direct Pay Billing;

C. Claims Processing/Utilization Review;

D. Financial System (88A);

4.1 Accounts Receivable
4.2 Accounts Payable
4.3 General Ledger
4.4 Corporate Consolidator

E. HMO controller/Authorization Referral; and

F. CompuServe Interface.

This software, as explained and defined above, is referred to collectively in this Complaint as "the TSI Software." Source code is the human readable version of the computer code.

16. TSI maintains the Software (including, but not limited to, structure, sequence, organization, file and field structures, file and field names and definitions, the data attributes, screens, and file keys) and documentation for the TSI Software as a trade secret.

17. Between 1989 and 1992, CSC entered into one or more contracts with Bay State to develop an HMO software system known as BayStar. This project included, among other things, development of POS, DSS, Electronic Claims, and Claims Appeals capabilities. POS is intended to allow a provider of services (a physician who has contracted with an HMO) to verify patient eligibility, refer patients for specialty care to other providers and check on the status of HMO accounts. The TSI Software performs similar functions, except that the functions are performed by the HMO, not by the providers at the providers' office. DSS takes TSI files and builds related

files of the same data so that end users can write customized reports using SQL, a generalized report writer. DSS shows how TSI stores data, sets up TSI codes and how the TSI files interact. POS and DSS incorporate the TSI Software file structure and copy substantial portions of the TSI Software. The cost of this project was budgeted for over twenty-five million dollars ($25,000,000). Bay State wanted to replace its use of the TSI system with BayStar.

18. The provisions of the license were made known to CSC and its employees who worked at Bay State, including but not limited to, Mike Oliver, Matt Blaszko, Vicky Gifford and Kent Larson, before these CSC employees started working at Bay State. CSC was aware of the existence of the License between TSI and Bay State and had knowledge of its terms, conditions and restrictions. CSC, including Oliver, Blaszko, Gifford and Larson, knew that the TSI Software, including file and field layouts, file structure, structure, sequence, organization, and all documentation, was proprietary and confidential to TSI and that CSC was not permitted access to it. CSC knew that it could not use the TSI Software or documentation for any purpose.

19. Paragraph 4 of the License provides:

> Licensor owns the Software, User Manual and Documentation, and such ownership includes, but is not limited to, all rights to patents, copyrights, trademarks and trade secrets, in and appurtenant to the Software, User Manual and Documentation. Licensee may modify the Software in any manner which it deems appropriate

> and is hereby granted the right, on a non-exclusive, non-transferrable basis, to use the Software, as so modified, to the same extent it is licensed to use the Software pursuant to Section 2, provided that (a) all modifications and all copies thereof shall be the sole property of Licensor; (b) the obligations of Licensee under the provisions of this Agreement, . . . shall apply with respect to any modification permitted under Section 4; and (c) Licensee shall provide Licensor with a monthly, updated version of the Software.

20. Paragraph 5 of the License restricts Bay State's use of the TSI Software. It provides that the software **"shall be used only for the processing of Licensee's data in Licensee's business."** (Emphasis added).

21. Paragraph 6 of the License provides, among other things:

> Licensee shall not copy or otherwise reproduce the Software, User Manual or Documentation or any part of it, except as necessary for the normal back-up and operation of the system . . . Licensee shall take reasonable security precautions to prevent unauthorized reproduction of the Software, including keeping the Software in a locked and secure place when not in regular use, using passwords made known only to Licensee's employees who use the Software as a regular part of their employment, and notifying its employees of the requirements of this provision.

22. Paragraph 7 of the License provides that:

> **Licensee shall not sell, transfer, publish, disclose, display or otherwise make available to**

others the Software, User Manual or Documentation or any other material relating to the Software. Licensee shall protect the Software, User Manual and Documentation from unauthorized access and use . . . Licensee acknowledges that the Software, User Manual and Documentation contain proprietary trade secrets of Licensor and agrees to maintain the confidentiality of the Software (including screen displays), User Manuals and Documentation . . . [including] giving its employees written notification of the requirements of this provision. Licensee shall advise Licensor immediately if Licensee learns or has reason to believe that any Person has violated or intends to violate the terms of this provision, and Licensee . . . will cooperate with Licensor in seeking injunctive or other equitable relief . . . against any such Person. Such cooperation includes, but is not limited to giving Licensor access to all relevant documents and opportunity to interview Licensee's employees. Licensee acknowledges that the disclosure of any aspect of the Software, User Manual or Documentation, which at law or equity, ought to remain confidential, may give rise to irreparable injury to Licensor which cannot be adequately compensated in money damages. Accordingly, Licensor may seek injunctive relief against the breach or threatened breach of these confidentiality requirements, . . . if Licensee refuses to cooperate when notified of a breach of threatened breach of any of the confidentiality provisions and prohibitions against copying in this Agreement, Licensee agrees that Licensor is entitled to a preliminary injunction enjoining such breach or threatened breach. (Emphasis added).

23. Paragraph 7 of the License also provides:

> Licensee agrees that Licensor may inspect Licensee's Site at reasonable times to determine whether Licensee is complying with these confidentiality requirements and the prohibitions against copying . . . Licensee agrees to cooperate with Licensor in connection with any such inspections including without limitation, providing access to all hardware, software and facilities used in connection with the operation of the Software . . . Licensee shall require all of its employees who have access to the source code and/or design concepts of the system to sign a Confidentiality Agreement in the form attached as Exhibit D . . . Licensee shall provide Licensor with a copy of each such Confidentiality Agreement.

24. Paragraph 8 of the License provides in part that **"Licensee shall not provide access to the Software to any third party for data conversion for any purpose, including but not limited to, conversion to another software system."** (Emphasis added).

25. Despite its knowledge of the foregoing License provisions, restrictions on use and disclosure and the confidential, trade secret status of the TSI Software and documentation, CSC, without authorization, willfully studied and used TSI's confidential and proprietary software and documentation including, but not limited to, the structure, sequence and organization of the software, the file and field structures, file and field names, definitions and descriptions, the data attributes, file keys, foreign keys, and documentation for the TSI Software. CSC used this, for among other things, its work on the BayStar

project at Bay Sate, including, but not limited to, POS and DSS.

26. CSC and Bay State knowingly, willfully and intentionally conspired to copy TSI's copyrighted software documentation and to misappropriate the TSI Software and documentation.

(Misappropriation of the TSI Software and Documentation)

27. Most of the CSC personnel who worked on the BayStar project worked on site at Bay State headquarters located in Cambridge, Massachusetts. These CSC consultants worked alongside the Bay State MIS staff on the same floor adjacent to the cubicles of the Bay State employees who regularly worked on the TSI Software and documentation. The CSC personnel had computers on their desks which they used that were connected through a network to the mainframe computers used by the Bay State MIS staff. The Bay State mainframe computers contained confidential, proprietary TSI information including the source code and documentation to the TSI Software. CSC and Bay State employees shared the same printers in a common area near their cubicles.

28. The CSC employees who worked on the development of BayStar did not have any experience in developing a computer system for an HMO, were not familiar with HMOs or how they worked, and were not familiar with the HMO industry.

29. CSC and Bay State lacked the ability to develop BayStar, including POS and DSS, or to do so within the time desired by Bay State, without reviewing, studying,

modeling and using the TSI Software and documentation. Such use of and access to the TSI Software and documentation enabled CSC and Bay State to develop BayStar, including POS and DSS, and particularly to do the design work which is critical to software development.

30. CSC obtained access to the TSI Software and documentation and (a) copied the TSI file names, descriptions, layouts, and keys onto computer printouts and computer files; (b) studied the TSI file layouts; (c) loaded the TSI file structures into DSS; (d) utilized the TSI file structures to create the DSS model; (e) utilized the TSI file structures to create and find holes in the BayStar Enterprise Model; (f) utilized the TSI file structures to data map for DSS and BayStar and copied the TSI file structures into the data map; (g) utilized the TSI file structures, including file names, in DSS and Bay Star; (h) created lists of the TSI keys and foreign keys; (i) created models of and from the TSI Software; (j) utilized the TSI file structures and models created from these structures for use in creating POS, DSS and BayStar. CSC otherwise unlawfully, without authorization, studied, copied and utilized TSI's proprietary and confidential software and documentation including, but not limited to, the structure sequence and organization of the TSI Software and the file structure (including, but not limited to, file names, definitions, descriptions, keys and foreign keys).

31. Vicky Gifford, a CSC employee who worked on BayStar, created memos and weekly status reports describing the work which she did on the BayStar project. True and correct copies of some of the reports and memos prepared by Gifford regarding the work performed by CSC at Bay State are attached as composite Exhibit A.

Each of these reports were received and reviewed by the persons identified on the reports as the intended recipients of the reports. The reports entitled "Status Report for Week Ending . . . " describe work performed by Gifford at Bay State as an employee of CSC, within the scope of her employment, and such work was authorized by CSC.

(Conditions Precedent)

32. All conditions precedent to this action have been performed, waived or occurred.

33. TSI has retained the undersigned attorneys and has agreed to pay them a reasonable fee for their services in this matter.

Count I

(Misappropriation of Trade Secrets, Florida Law)

34. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 33 above.

35. The TSI Software and documentation constitute a trade secret of TSI within the meaning of Fla. Stat. § 688.002(4). TSI has made reasonable efforts to maintain the secrecy of the TSI Software and documentation, including limiting disclosure through restrictive licensing agreements, requiring TSI employees and employees of Licensees to sign confidentiality agreements prohibiting disclosure of the TSI Software and documentation to third parties, and placing confidentiality legends on the TSI Software and documentation.

36. CSC willfully and intentionally gained access to, studied, copied, and used TSI's trade secrets without TSI's authorization and induced Bay State to reveal such secrets to CSC. TSI has not authorized CSC to view, study, research, copy or make use of the TSI Software or documentation in any manner whatsoever.

37. When CSC sought and obtained unauthorized access to TSI's Software and documentation, CSC knew or should have known that the TSI Software and documentation was acquired by Bay State under circumstances giving rise to a duty to maintain its secrecy and knew that the TSI Software and documentation was confidential to TSI. CSC owed a duty to TSI to not view, copy, use or otherwise breach the confidentiality of the TSI Software or documentation. CSC breached that duty by misappropriating TSI's Software and documentation as described above.

38. TSI has been damaged and continues to sustain irreparable injury as a result of CSC's misappropriation of the TSI Software and documentation.

39. TSI has no adequate remedy at law, and is likely to succeed on the merits at the conclusion of this case.

40. TSI is entitled to an injunction pursuant to Fla. Stat. § 688.003.

WHEREFORE, TSI requests that this Court:

A. Enter a temporary and permanent injunction (i) prohibiting CSC and all persons acting in concert with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using the TSI Software or documentation, in whole or in part, and

(ii) compelling CSC to return to TSI all copies of the TSI Software and documentation, and any material derived or prepared from the TSI Software or documentation in their possession, custody or control; and

B. Award TSI its actual damages and punitive damages, attorney's fees pursuant to Fla. Stat. § 688.005, costs, interest and such other and further relief as this Court deems just and proper.

Count II

(Trade Secret Misappropriation, Massachusetts Law)

41. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 37 above.

42. The TSI Software and documentation constitute a trade secret of TSI within the meaning of the Massachusetts common law and Mass. Gen. Laws c. 93, §§ 42 and 42A. TSI has made reasonable efforts to maintain the secrecy of the TSI Software and documentation, including limiting disclosure through restrictive licensing agreements, requiring TSI employees and employees of Licensees to sign confidentiality agreements prohibiting disclosure of the TSI Software and documentation, and placing confidentiality legends on the TSI Software and documentation. CSC was aware of the confidentiality of the TSI Software and documentation and had a duty not to view, copy, use or otherwise not breach the confidentiality of the TSI Software or documentation. CSC breached that duty by its misappropriation as described above.

43. TSI has been damaged and continues to sustain irreparable injury as a result of CSC's misappropriation of the TSI Software and documentation.

44. TSI has no adequate remedy at law, and is likely to succeed on the merits at the conclusion of this case.

45. TSI is entitled to an injunction under the Massachusetts common law and Mass. Gen. Laws c. 93, § 42A.

WHEREFORE, TSI requests that this Court:

A. Enter a temporary and permanent injunction (i) prohibiting CSC and all persons acting in concert with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using the TSI Software or documentation, in whole or in part, and (ii) compelling CSC to return to TSI all copies of the TSI Software and documentation, and any material derived or prepared from the TSI Software or documentation in their possession, custody or control; and

B. Award TSI its actual damages and punitive damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count III

(Copyright Infringement)

46. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 33 above.

47. At all relevant times, TSI complied in all respects with the Copyright Act, 17 U.S.C. § 101, *et seq.* and secured the exclusive rights and privileges in and to the copyrights in the TSI Software and documentation.

The TSI Software and documentation is an original work, copyrightable under the Copyright Act, and has been copyrighted and registered in full compliance with the Copyright Act. Since the dates of its registrations, the TSI Software and documentation has been manufactured by TSI or under TSI's authority. All copies of such items made by TSI or under its authority have been manufactured in strict conformity with the provisions of the Copyright Act and all other applicable laws governing copyrights. TSI has fully maintained the validity of its copyrights in these works. Since the creation of the TSI Software and documentation, TSI has been and still is the sole proprietor of all rights, title and interest in and to the copyrights in the TSI Software and documentation. TSI has not authorized CSC to copy, reproduce, manufacture, duplicate, disseminate, distribute, make derivative works or use the TSI Software.

48. CSC's acts as set forth above including, but not limited to, copying TSI's file structures, file names, descriptions, keys, foreign keys, and structures, sequence and organization constitute infringement of TSI's copyrights in the TSI Software in violation of the Copyright Act, 17 U.S.C. § 101 *et seq.*

49. CSC's acts of reproduction and copying of the TSI Software were deliberate, willful, malicious, oppressive and without regard to TSI's proprietary rights.

50. CSC's copyright infringement has caused, and will continue to cause, TSI to suffer substantial injuries, loss and damage to its proprietary and exclusive rights to, and copyrights in, the TSI Software. It further has

damaged TSI's business and good will, and diverted trade.

51. CSC's copyright infringement and the threat of continuing infringement has caused and will continue to cause TSI to suffer irreparable injury. It would be difficult to ascertain the amount of money damages that would afford adequate relief at law for CSC's acts. TSI's remedy at law is not adequate to compensate it for the injuries already inflicted and further threatened by CSC. CSC, therefore, should be restrained and enjoined pursuant to the Copyright Act, 17 U.S.C. § 101 *et seq.*

WHEREFORE, TSI requests that this Court enter a temporary and permanent injunction (1) prohibiting CSC and all persons acting in concert with them from possessing, copying, disclosing, displaying, publishing, distributing, reverse engineering, or using the TSI Software or documentation, in whole or in part, or any works derived or prepared from the TSI Software or documentation; and (2) compelling CSC to return to TSI all copies of the TSI Software, documentation or derivative works of them, in their possession, custody or control. TSI further requests that this Court (1) award TSI damages; (2) award TSI its attorney's fees pursuant to 17 U.S.C. § 505, the cost of suit and interest; and (3) award TSI such other and further relief as the Court deems just and proper.

Count IV

(Mass. Gen. Laws c. 93A)

52. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 33 and 41 through 45 above.

53. TSI is a "person" and engages in "trade or commerce" within the meaning of Mass. Gen. Laws c. 93A, § 1.

54. CSC is a "person" and engages in "trade or commerce" within the meaning of Mass. Gen. Laws c. 93A, § 1.

55. CSC's practices, as set forth above, constitute willful and knowing "unfair methods of competition" and "unfair or deceptive acts or practices" within the meaning of Mass. Gen. Laws c. 93A, §§ 2 and 11.

56. As a direct, proximate result thereof, TSI will suffer substantial, immediate and irreparable harm and damages unless defendants are enjoined from their unlawful activity. In addition, defendants owe TSI treble damages.

WHEREFORE, TSI requests that this Court award TSI treble its damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count V

(Conspiracy)

57. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 45 and 52 through 56 above.

58. CSC acted in concert and pursuant to a common design with Bay State to misappropriate the trade secrets of TSI.

59. CSC acted in concert and pursuant to a common design with Bay State to engage in unfair methods of competition and unfair or deceptive acts or practices against TSI.

60. As a direct and proximate result of the conspiracy between CSC and Bay State, TSI has suffered damages.

WHEREFORE, TSI requests that this Court award TSI compensatory damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count VI

(Aiding and Abetting Liability)

61. TSI realleges and incorporates herein the allegations made in paragraphs 1 through 45 and 52 through 56 above.

62. CSC knowingly and intentionally caused, assisted, aided and abetted Bay State to breach its License with TSI.

63. CSC knowingly and intentionally caused, assisted, aided and abetted Bay State to misappropriate the trade secrets of TSI.

64. CSC knowingly and intentionally caused, assisted, aided and abetted Bay State to engage in unfair methods of competition and unfair or deceptive acts or practices.

65. CSC knew that the aforesaid conduct of Bay State violated the legal rights of TSI, but CSC nevertheless gave substantial assistance and encouragement to Bay State to so conduct itself.

66. As a direct, proximate result thereof, CSC is liable to TSI for aiding and abetting these violations of the legal rights of TSI.

WHEREFORE, TSI requests that this Court award TSI compensatory damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

Count VII

(Interference with Contract)

67. TSI realleges and incorporates the allegations made in paragraphs 1 through 33 above.

68. CSC knew that Bay State had a pre-existing License with TSI and knew the material provisions of the license.

69. Despite said knowledge, CSC interfered with the license by seeking and obtaining access to TSI's confidential and proprietary software and documentation.

70. Said interference by CSC was intentional, malicious and without lawful justification.

71. As a direct and proximate result thereof, Bay State has breached its License with TSI causing damages to TSI.

WHEREFORE, TSI requests that this Court award TSI compensatory and punitive damages, attorney's fees, costs, interest and such other and further relief as this Court deems just and proper.

COUNT VIII

(Quantum Meruit)

72. TSI realleges and incorporates by reference the allegations made in paragraphs 1 through 45 above.

73. CSC has been unjustly benefitted and enriched to the extent that CSC has been paid by Bay State for work product in prepared using or copying from the TSI Software and documentation. CSC has not paid a license fee to TSI for rights to see, copy or use the TSI Software and documentation for such purpose. CSC should be required to compensate TSI and pay a license fee to TSI for CSC's use and enjoyment of the TSI Software and documentation.

WHEREFORE, TSI requests that this Court award TSI compensatory damages, attorneys fees, costs, interest and such other and further relief as this Court deems just and proper.

COUNT IX

(Contributory Copyright Infringement)

74. TSI realleges and incorporates by reference the allegations made in paragraphs 1 through 33 and 46 through 51 above.

75. Bay State infringed TSI's copyright rights by copying substantial portions of the TSI software.

76. CSC knew Bay State possessed TSI's copyrighted software.

77. CSC knowingly induced, caused, and materially contributed to Bay State's infringement of TSI's copyright rights.

WHEREFORE, TSI requests that this Court award TSI compensatory damages, attorneys fees, costs, interest and such other and further relief as this Court deems just and proper.

JURY TRIAL DEMAND

TSI demands a trial by jury on all issues so triable.

/s/ Brent J. Gibbs
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Guillermo A. Pernas, Jr.
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/s/ Laurence H. Reece, III
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Boston, Massachusetts 02109
(617) 423-1200

Local Counsel for
Tingley Systems, Inc.

Dated: June 30th, 1995

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 30th day of June, 1995, a true and correct copy of the foregoing was furnished by hand delivery to ~~Andrew C. Griesinger~~ Michael Walsh, Choate, Hall & Stewart, Exchange Place, 53 State Street, Boston, Massachusetts 02109-2891.

/s/ Laurence H. Reece, III
Attorney

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

BAY STATE HMO MANAGEMENT, INC.,

Plaintiff,

vs.

TINGLEY SYSTEMS, INC.,

Defendant.

C.A. NO. 93-11283-RCL

TINGLEY SYSTEMS, INC.,

Plaintiff,

vs.

BAY STATE HEALTH MANAGEMENT, INC. f/k/a BAY STATE HMO MANAGEMENT, INC. and BLUE CROSS/BLUE SHIELD OF MASSACHUSETTS, INC.,

Defendants.

C.A. NO. 93-12230-RCL

TINGLEY SYSTEMS INC.'S MOTION TO EXTEND DISCOVERY CUT-OFF AND SUPPORTING MEMORANDUM

Plaintiff, Tingley Systems, Inc. ("TSI"), by and through its undersigned counsel, hereby requests an extension of the discovery cut-off date to complete critical discovery in this case. Notwithstanding the superhuman effort of TSI and its counsel to complete discovery by the cut-off date, TSI has not been able to complete critical

discovery. Many depositions which TSI started were not completed because of scheduling conflicts of the Defendants' witnesses or Defendants' counsel. The Defendants refused to cooperate in scheduling their completion. Other depositions could not be taken because of unexpected emergencies and could not be scheduled before the cut-off date. Additional critical witnesses were identified during discovery that were not deposed because of the restriction on the number of depositions allowed to be taken. Other depositions could not be taken or completed because of discovery abuses by the Defendants, such as withholding requested documents. As explained below, these are compelling reasons for extending the discovery period in this case.

BACKGROUND

At the status hearing on September 21, 1994, the Court granted TSI's motion to amend its complaint to add claims against Bay State Health Management, Inc. ("Bay State") for fraud and copyright infringement and to add Bay State's parent corporation, Blue Cross Blue Shield of Massachusetts, Inc. ("BC/BS") as a defendant. Because the new claims had not yet been allowed, TSI had not yet conducted any discovery regarding the claims it sought to assert against BC/BS or its new claims against Bay State. Bay State, however, had submitted extensive discovery requests to TSI regarding the claims TSI sought to assert in its Amended Complaint. Moreover, by this date, TSI had been able to conduct only one deposition and Bay State had not conducted any depositions. TSI, therefore, requested an extension of the discovery period. The

Court extended the discovery cut-off date until November 30, 1994.

Immediately after the September 21, 1994 hearing, TSI began to furiously pursue completing its discovery by the cut-off date and to allow the Defendants to complete their discovery. As the following summary shows, nearly every business day from September 21, 1994 until November 30, 1994 was spent by TSI's counsel on the discovery in this case:

9/21/94 – Travel to Boston; Deposition of Margie Tingley

9/22/94 – Deposition of Margie Tingley

9/23/94 – Deposition of Margie Tingley

9/23 and 9/24/94 – Travel to Tampa

10/1/94 – TSI served its thirty page Supplemental Response to First Set of Interrogatories of Bay State HMO Management, Inc.

10/3/94 – Travel to Boston

10/4/94 – Deposition of Lauren Boudreau and Kathy Vermillion

10/5/94 – Deposition of David Sykes and Daniel Westlake

10/6/94 – Deposition of Daniel Westlake

10/6 and 10/7/94 – Travel to Tampa

10/15/93 – TSI served its First Request for Production of Documents and Things on Bay State.

10/16/94 – Travel to Boston

10/17/94 – Deposition of Elaine Callahan and Kathy Vermillion

10/17/94 – TSI served its First Set of Interrogatories on Blue Cross/Blue Shield

10/17/94 – TSI served its Response to Second Request of Bay State for Production of Documents and Things.

10/17/94 – Bay State served its Response to Second Request for Production of Documents on TSI.

10/17/94 – TSI served its Response to Second Request of Bay State for production of Documents and Things.

10/17/94 – TSI served its First Request for Production of Documents on Blue Cross/Blue Shield.

10/18/94 – TSI Answered the Third Set of Interrogatories of Bay State.

10/18/94 – Deposition of Elaine Callahan and Daniel Westlake

10/19/94 – Deposition of Daniel Westlake and Margie Tingley

10/20/94 – Travel to Tampa

10/21/94 – BCBS served its First Request for Production of Documents and Things on TSI.

10/21/94 – BCBS served its First Set of Interrogatories and First Request for Production of Documents on TSI.

10/31/94 – BCBS served its Second Request for Production of Documents and Things on TSI.

10/31/94 – Bay State and BCBS served their First Request of Admissions on TSI.

11/2/94 – Travel to Boston

11/3/94 – Deposition of Brian Harney

11/4/94 – Deposition of Robert Diramio

11/4 and 11/5/94 – Travel to Tampa

11/7/94 – Travel to Boston

11/7/94 – Travel to Boston

11/7/94 – Deposition of Margie Tingley

11/8/94 – Deposition of Margie Tingley

11/9/94 – Deposition of Margie Tingley

11/10/94 – Deposition of Margie Tingley

11/10/94 – Travel to Tampa

11/10/94 – TSI served its Second Set of Interrogatories on Bay State HMO Management, Inc.

11/13/94 – Travel to Boston

11/14/94 – Deposition of Robert Diramio and Elaine Callahan

11/15/94 – Deposition of Vicki Gifford

11/15/94 – Travel to Tampa

11/16/94 – BCBS served its Response to First Set of Interrogatories of Tingley Systems, Inc.

11/16/94 – BCBS served its Response to First Request for Production of Documents on TSI.

11/20/94 – Travel to Boston

11/21/94 – Deposition of Mike Oliver

11/22/94 – Deposition of Matt Blaszko

11/23/94 – Travel to Atlanta

11/23/94 – TSI served its Motion to Take in Excess of 15 depositions with Supporting Memorandum.

11/24/94 – Thanksgiving Holiday

11/27/94 – Travel to Boston

11/28/94 – Deposition of Kent Larson

11/28 and 11/29/94 – Travel to Tampa

11/29/94 – Deposition of Margie Tingley.

11/30/94 – Depositions of William Tingley, Jeff Satz and Vivian Satz.

ARGUMENT

Notwithstanding TSI's best efforts, TSI has not been able to complete its discovery within the time allowed by the Court. Discovery abuses by the Defendants and the lack of sufficient time to depose the numerous key witnesses in these consolidated cases have prevented TSI from completing its discovery by November 30, 1994. TSI requests that this Court extend the discovery cut-off date to allow TSI to complete its discovery. Because this request comes during the holiday season, TSI requests an additional sixty (60) days to complete its discovery.

A. THE DEFENDANTS' DISCOVERY ABUSES

The Defendants have been attempting to conceal and cover-up their copying and misappropriation of TSI's confidential software and file and database information since before the commencement of this lawsuit. When TSI attempted in April, 1993 to exercise its contractual right under paragraph 7 of its License Agreement with Bay

State to review documents and interview Bay State employees who worked on the POS and DSS projects, the Defendants prevented TSI from doing so. When TSI sued Bay State and served a document request on Bay State in June, 1993, Bay State delayed production and did not furnish any copies of documents which TSI could review in detail until late January, 1994.[1] Even then, Bay State did not produce many of the critical requested documents. Bay State finally produced some of these documents, such as limited source code, in November, 1994. Other requested documents were never produced and are the subject of TSI's motions to compel. The Defendants have continued to prevent TSI from obtaining critical discovery, as described below.

1. BC/BS Refused to Produce Any Documents or Answer Interrogatories.

One of the reasons TSI gave at the September 21, 1994 status conference for extending discovery was to allow TSI to conduct discovery of the new Defendant, BC/BS. TSI's counsel explained that TSI would be serving interrogatories and a document request on BC/BS. Counsel for BC/BS, Marc Temin, stated at the hearing that BC/BS would not oppose such discovery requests and he confirmed this in a letter to TSI's counsel (*see* Exhibit A). As the date for BC/BS's production and answers drew near,

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[1] Bay State produced approximately 20,000 documents in December but gave TSI only a couple of days to review them. TSI did not have any meaningful opportunity to review documents until Bay State produced copies which TSI could keep in its possession in late January, 1994.

TSI's counsel made clear to Temin that he wanted the documents and answers on the due date so that he could use them for depositions of BC/BS (*see* Exhibit B). Mr. Temin said that the documents were being collected and could not be produced until the week after they were due.

Notwithstanding BC/BS's prior representations to this Court and to TSI's counsel, as the date for BC/BS's discovery for TSI arrived, Mr. Temin announced that BC/BS would not answer any interrogatories in excess of 30 when counting the interrogatories served on Bay State nor would BC/BS produce any documents. The basis for this refusal was his claim that under Local Rule 26.1(C), TSI could not serve more than two (2) document requests and 30 interrogatories in the entire case, regardless of whether such discovery requests were directed to different Defendants. (Exhibit C). At that time, TSI had served two (2) document requests upon Bay State and none upon BC/BS, and had served 21 interrogatories upon Bay State and none upon BC/BS. Mr. Temin also took the position, however, that BC/BS could initiate such discovery requests upon TSI. As of today's date, BC/BS has not produced even one document to TSI and has only answered five of the fifteen interrogatories propounded.

BC/BS's interpretation of Local Rule 26.1 (C) is absurd. If BC/BS were correct, then a plaintiff in a lawsuit against more than two defendants could obtain documents and interrogatory answers from only two of the defendants, even though all of the defendants could conduct such discovery of the plaintiff. This is patently unfair to the plaintiff and serves no legitimate purpose. As a result of BC/BS's refusal to provide any documents

or answer all of the interrogatories, TSI did not have the information it needed to take depositions of BC/BS. Accordingly, TSI has been prevented from obtaining any discovery of the new Defendant, BC/BS, before the discovery cut-off.

2. The Defendants Consumed Nearly Two Weeks of Discovery Time Deposing One Witness.

The Defendants have consumed nine days,[2] nearly two full business weeks, deposing Margie Tingley, the president of TSI. Much of the deposition has been a waste of time, inquiring into irrelevant personal matters or irrelevant details about the history of the company or going over the same material multiple times.[3] Some of the deposition has been pure harassment of Mrs. Tingley. For example, on day eight of Mrs. Tingley's deposition, Mr. Temin asked Mrs. Tingley about whether TSI was prepared to sue Bay State in June of 1993. As Mrs. Tingley was responding, she complained that she felt ill, that she was tired and that she thought she had eaten bad food the night before. (Exhibit F). When she asked to be excused, Mr. Temin refused and persisted asking her

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[2] When TSI's counsel finally stopped the deposition at approximately 6:00 p.m. on November 29, 1994 Bay States counsel stated that he had more questions to ask Mrs. Tingley requiring additional deposition time, but would not state the number of days he would require to conclude the deposition. Clearly, the defendants would make her deposition go on indefinitely if they were permitted to do so.

[3] The Defendants' counsel badgered Mrs. Tingley throughout the nine days of her deposition, asking the same questions over and over again. (Exhibit E).

questions about whether TSI was ready to sue Bay State in June, 1993 and whether Robert Hollinger of BC/BS lied to her on June 10, 1993. *Id.* Finally, Mrs. Tingley ran from the room, clutching her stomach. Mr. Temin dutifully noted for the record that she left during a pending question. *Id.* When she returned, she explained that she was ill and needed to suspend the deposition. *Id.* TSI's counsel finally had to recess the deposition.

The Defendants' marathon deposition of Mrs. Tingley is even more unreasonable in light of TSI's voluminous and thorough responses to Bay State's interrogatories. On October 1, 1994, TSI provided the Defendants with a 30 page, detailed supplemental response to Bay State's interrogatories. The Court had suggested to Mr. Temin during the September 21, 1994 status conference that he use depositions to obtain more detailed information in response to Bay State's interrogatories. Mr. Temin rejected this and insisted to the Court that he had to get such detailed information through supplemental interrogatory answers. The Court then ordered TSI to supplement its answers and said that the matter would be referred to a special master if Mr. Temin did not believe the supplemental answers were sufficient. After Mr. Temin received the supplemental answers, he wrote to the Court that the answers were sufficient. Incredibly, Mr. Temin used much of the nine days of Mrs. Tingley's deposition asking the same questions asked in the interrogatories and getting the same answers all over again.

When you review the 1,271 pages of Mrs. Tingley's deposition that have been transcribed thus far, you get the impression that these billion dollar Defendants have decided to make Mrs. Tingley pay for daring to confront

them in court for their egregious conduct by exhausting her through a two week deposition. Regardless of the Defendants' motive in deposing Mrs. Tingley for nearly two weeks, the fact remains that they have consumed enormous time deposing one witness, thereby preventing the completion of other discovery within the available time.

3. The Defendants Refused to Cooperate to Allow TSI to Complete Depositions.

An emergency arose in November while TSI was attempting to complete discovery, which altered the discovery schedule.[4] On November 14, 1994, TSI's counsel's 24-month old daughter was found in the swimming pool at his home in Tampa, Florida. TSI's counsel was in Boston taking depositions in this case when this occurred. Although his daughter was resuscitated and later released from the hospital, TSI's counsel had to return to Tampa and could not depose Matt Blaszko, a key CSC employee, as scheduled. This required that Blaszko's deposition be rescheduled. The only date provided to TSI by the Defendants for deposing Blaszko before the discovery cutoff was Tuesday, November 22, two days before Thanksgiving. This was the day following the date

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[4] Another emergency arose in September which delayed discovery. TSI's counsel had a case called for trial in the United States District Court in Tampa. This required TSI's counsel to return to Tampa early, causing a postponement of Mrs. Tingley's deposition. TSI's counsel had advised the Defendants' counsel on many occasions that this 4 year old case likely would be reached for trial and that when it was reached, TSI's counsel would have to return to Tampa to try it.

scheduled for deposing Mike Oliver, the CSC project leader for the entire Bay State project. It also was the same day scheduled for deposing Ed Casey, one of the primary Bay State managers for the Bay Star projects, and one of the key witnesses in this case. Blaszko's deposition was rescheduled to November 22. Bay State's counsel agreed to reschedule Mr. Casey's deposition to December 5 but later reneged on his agreement.

Mike Oliver's deposition was started on November 21. CSC's counsel arrived late, substantially delaying the start of the deposition. The witness later complained that he had a headache and so the deposition had to be concluded early. This deposition, in any event, could not have been completed in one day because Mr. Oliver was involved in each of the POS, DSS and Bay Star projects from beginning to end. Although the witness agreed to come back the next day, Bay State's attorney would not agree to reschedule Mr. Blaszko's deposition before the end of the discovery cutoff. Accordingly, the deposition of Mr. Oliver was not completed. Bay State's counsel refused to agree to reschedule Mr. Oliver's deposition at any other time.

TSI started the deposition of Mr. Blaszko on Tuesday, November 22, 1994. Mr. Blaszko, who was one of CSC's primary computer architects on the DSS project, authored many memos which, on their face, show that Mr. Blaszko reviewed TSI confidential files and file structures. Mr. Blaszko's deposition started late because counsel for Bay State and CSC arrived late. Moreover, Mr. Blaszko had to catch a plane to return to New Jersey where he lives and works, so that TSI's counsel could not work into the evening or continue the next day to complete Mr.

Blaszko's deposition. TSI's counsel estimated that Mr. Blaszko's deposition could be completed in another 1½ to 2 hours. Counsel for Bay State, however, refused to agree to schedule the completion of Mr. Blaszko's deposition. If Mr. Blaszko's deposition had been taken when originally scheduled, it likely would have been completed because there were three full business days available for the taking of his deposition.

TSI started several other depositions of Bay State and CSC employees which were not completed. This includes the depositions of Kent Larson, Brian Harney, Vicki Gifford, and James Carmona. Counsel for TSI estimates that another two hours per witness will be required to complete the depositions of each of these witnesses, except Mr. Carmona. As for Mr. Carmona, who was Bay State's Vice President for Management Information Systems, Plaintiff estimates that another day is required to complete his deposition. Accordingly, TSI estimates that it could complete the depositions which it already has started in three additional business days. (This estimate depends on the responsiveness of the witnesses to questions). TSI estimates that it could complete the deposition of Mr. Casey, whose deposition could not be taken when scheduled because of TSI's counsel's daughter's accident, in 1-½ days.

TSI's counsel requested that the Defendants agree to give TSI the time it needed to complete these depositions after the discovery cutoff. The Defendants' counsel,

however, refused to agree to this,[5] even though trial is not scheduled to begin for another six months. He offered no explanation for his refusal other than that the discovery cutoff is November 30.

4. The Defendants Refused to Make BC/BS's Chief Information Officer Available.

TSI requested that the Defendants provide TSI with a date to take the deposition of Robert Hollinger, the Chief Information Officer of BC/BS. There were several open days available for the taking of this deposition. The Defendants' counsel simply informed TSI that Mr. Hollinger would not be available on any of the open days and would not be available at any time prior to November 30, 1994. Accordingly, TSI has not had the opportunity to depose the primary BC/BS witness in this case.

5. The Defendants Failed to Produce Documents Requested in Tingley's Document Request.

In addition to the documents which are the subject of Tingley's First Motion to Compel, (which has not yet been ruled upon by the Court) the Defendants have refused to

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[5] The Defendants' counsel agreed initially to allow TSI to depose Mr. Casey on December 5 but then reneged, ostensibly because TSI's counsel would not agree to the Defendants taking depositions on December 1. TSI however, did agree to allow the Defendants to take depositions on December 1 and even later, so long as the Defendants cooperated with the TSI in completing its discovery. Only when the Defendants' counsel refused to cooperate did TSI object to the Defendants conducting discovery after November 30.

produce many other documents to TSI that have been requested. Many of these documents were identified by Bay State employees during their depositions. TSI did not know of their existence when it filed its first motion to compel. TSI discussed the production of these documents with Bay State's counsel on November 8 and confirmed the discussions by letter dated November 10, 1994. A true and correct copy of the letter is attached as Exhibit G. Although the Defendants' committed to producing most of these documents, Bay State produced only two of the documents identified in the November 10 letter. (TSI is filing a motion to compel production of these documents which sets forth in detail the documents which Bay State has continued to withhold).

Bay State also refused to produce most of the documents which were requested in TSI's Second Request for Production of Documents. TSI's second request asked for the production of 24 different categories of documents. Bay State objected to each and every request for near-frivolous, nonsensical reasons and agreed to produce only 7 of the 24 categories of documents requested. As to the 7 categories of documents for which Bay State produced documents, it withheld production of those documents for weeks after the due date. TSI is filing a Motion to Compel Production of Documents to require the production of the other 14 different categories of documents which the Defendants are withholding from production.

B. ADDITIONAL TIME IS REQUIRED TO DEPOSE WITNESSES IDENTIFIED DURING DISCOVERY

TSI has filed a motion to take in excess of 15 depositions.[6] As explained in that motion, TSI cannot possibly complete its discovery with only 15 depositions. Bay State and its consultants involved nearly 100 employees on the three different software projects at issue in this case.[7] TSI has attempted to identify and depose those witnesses who appear from the documents to have the most relevant knowledge about the issues in these cases. TSI has discovered, however, in deposing these witnesses that none of them have complete knowledge regarding any of the subject matters or issues in these cases.

The deposition of Kent Larson serves as a helpful example for the Court to understand why the relevant information cannot be obtained through only 15 depositions. Mr. Larson is identified in the documents as the CSC consultant who was in charge of the POS project and

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[6] In the parties Local Rule 16.1 statement filed on December 14, 1993 Bay State agreed that TSI could take 10 depositions and that if discovery showed that more depositions were necessary, then TSI should be required to show the court why such additional discovery is necessary.

[7] The court should make special note that when Bay State argued against transfer of venue to Florida from this court, Bay State emphasized the large number of individuals in Boston who have knowledge of relevant facts. Bay State stated "[a]pproximately 40 MIS employees of Bay State were involved in one stage or another of the creation of POS and DSS" and that CSC Partners employed "approximately ten" people who worked on developing the software. When it served its purposes, Bay State argued that there were at least *50* witnesses in this case in Massachusetts.

as the manager for CSC on the Bay Star project. Documents were produced by Bay State and CSC of which Mr. Larson, as the manager for these projects, should have had knowledge. These documents show that Mr. Larson was copied on the documents. These documents are important because they show that CSC had access to and reviewed confidential information of TSI. When Mr. Larson was deposed, he claimed ignorance, stating that he did not know how CSC obtained such confidential information. He referred TSI to other CSC employees to obtain such information. Larson also claimed ignorance on other documents which he helped to create, which also show that CSC obtained confidential information regarding the Tingley system and file structures. Larson denied any knowledge regarding how CSC obtained the TSI confidential information and stated that there were *multiple* authors of the document. He stated that TSI would have to ask the other CSC employees who authored the document to determine how CSC obtained the TSI confidential information.

Mr. Larson's testimony is typical of testimony given by the employees of Bay State and CSC in these cases. They all claim ignorance of critical information which the documents indicate they should know, and state that some other person should have the information. When the transcripts of the CSC and Bay State witnesses are looked at together, it appears that all of the Defendants' witnesses were instructed to claim ignorance on certain subjects, knowing that TSI could not pursue the matter with other witnesses because of the 15 deposition limitation.

C. THE EXTENSION DOES NOT PREJUDICE THE DEFENDANTS

The Defendant started this case by telling this Court that venue should remain in Boston because there were at least 50 witnesses in Massachusetts who would testify about relevant information in this case. (see p. 12 of Bay State's Memorandum in Opposition to TSI's Motion to Transfer Venue dated July 19, 1993) Now that TSI has deposed 13 witnesses and is starting to discover the full extent of the Defendants' secret dealings to misappropriate the TSI software, the Defendants argue that no further depositions should be taken and that discovery should end now. The Defendants have successfully prevented TSI from obtaining its discovery through delays, obfuscation and discovery abuses as described above. Meanwhile, the Defendants have consumed all of TSI's limited resources in responding to voluminous interrogatories and document requests and have obtained all of the depositions that they would like. The Defendants only requested to take the depositions of Margie Tingley, William Tingley, Vivian Satz (their daughter) and Jeff Satz (their son-in-law). They have deposed each of these witnesses. They have deposed Mrs. Tingley for nearly two weeks. In other words, the wrongdoers have obtained all of their discovery while the overwhelmed victim has been given only limited discovery.

The Defendants have no need to proceed quickly. Their witnesses have testified in deposition that the entire data processing operation previously handled by the Tingley system has been converted over and outsourced to another company, Electronic Data Systems.

They have testified that POS and DSS, the two software products upon which their request for a declaratory judgment is based, are in boxes, no longer used by Bay State or BC/BS. (Exhibit H) They have testified that the Tingley software which is the subject of this lawsuit has been put on tapes and is in storage, never to be used again. *Id.* Based upon the testimony of the Defendants' witnesses, it appears that Bay State no longer conducts any business and is operating only as a shell. If the testimony of these witnesses is true, then the Defendants have no legitimate reason for expediting the case and ending TSI's discovery. A discovery extension does not cause harm to the Defendants other than the harm which naturally comes to a defendant when its secret misdeeds are brought to light through discovery.

CONCLUSION

TSI did not know during the September 21 status conference that it would require these additional depositions. The depositions are critical to TSI's case. The discovery period must be extended to allow TSI to take these additional depositions. The trial is not until May of 1995. There is no good reason why TSI, whose valuable trade secrets have been stolen and exploited by the Defendants, should not be permitted to take these depositions and to discovery the full scope of the Defendants unlawful conduct.

CERTIFICATE OF COMPLIANCE WITH LOCAL RULE 7.1

Pursuant to Local Rule 7.1(A)(2), the undersigned counsel, G. Donovan Conwell, Jr., certifies that he has conferred with Marc Temin, counsel for Defendants, Bay State HMO Management, Inc. and Blue Cross/Blue Shield of Massachusetts, Inc., and attempted in good faith to resolve the issues raised by this motion.

Respectfully submitted,

/s/ G. D. Conwell, Jr.
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Attorneys for Tingley Systems, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the above document was served upon Marc Temin, Esquire, Foley, Hoag & Eliot, One Post Office Square, Boston, MA 02109, by U.S. mail this 30th day of November, 1994.

/s/ G. D. Conwell, Jr.
Attorney

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

BAY STATE HMO
MANAGEMENT, INC.,

Plaintiff,

vs.

TINGLEY SYSTEMS, INC.,

Defendant.

_____/

C.A. NO.
93-11283-RCL

TINGLEY SYSTEMS, INC.,

Plaintiff,

vs.

BAY STATE HEALTH
MANAGEMENT, INC. f/k/a
BAY STATE HMO
MANAGEMENT, INC. and
BLUE CROSS/BLUE SHIELD
OF MASSACHUSETTS, INC.,

Defendants.

_____/

C.A. NO.
93-12230-RCL

[**DOCKETED**
Lindsay, D.J.
MOTION
DENIED
/s/ Lindsay D.J.
12/16/94]

TINGLEY SYSTEMS INC.'S MOTION TO EXTEND DISCOVERY CUT-OFF AND SUPPORTING MEMORANDUM

Plaintiff, Tingley Systems, Inc. ("TSI"), by and through its undersigned counsel, hereby requests an extension of the discovery cut-off date to complete critical discovery in this case. Notwithstanding the superhuman effort of TSI and its counsel to complete discovery by the cut-off date, TSI has not been able to complete critical discovery. Many depositions which TSI started were not

completed because of scheduling conflicts of the Defendants' witnesses or Defendants' counsel. The Defendants refused to cooperate in scheduling their completion. Other depositions could not be taken because of unexpected emergencies and could not be scheduled before the cut-off date. Additional critical witnesses were identified during discovery that were not

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UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

BAY STATE HEALTH MANAGEMENT, INC.,

Plaintiff,

v.

TINGLEY SYSTEMS, INC.,

Defendant.

/

CIVIL ACTION
No. 93-11283-RCL
Consolidated Cases

TINGLEY SYSTEMS, INC.,

Plaintiff,

v.

BAY STATE HEALTH MANAGEMENT, INC. and BLUE CROSS AND BLUE SHIELD OF MASSACHUSETTS, INC.,

Defendants.

/

CIVIL ACTION
No. 93-12230-RCL
Consolidated Cases

TINGLEY SYSTEMS, INC.,

Plaintiff,

v.

CSC CONSULTING, INC.,

Defendant.

/

CIVIL ACTION
No. 95-10284-RCL

STIPULATION AND ORDER OF DISMISSAL

Pursuant to Rule 41(a)(1)(ii) of the Federal Rules of Civil Procedure, it is hereby stipulated, consented and agreed by and among Tingley Systems Inc., Bay State

Health Management, Inc., and Blue Cross And Blue Shield of Massachusetts, Inc., that the above named Civil Action No. 93-11283-RCL, styled *Bay State Health Management, Inc. v. Tingley Systems, Inc.*, and the above-named Civil Action No. 93-12230-RCL, styled *Tingley Systems, Inc. v. Bay Health Management, Inc. and Blue Cross and Blue Shield of Massachusetts, Inc.*, and all claims and counterclaims asserted therein, are dismissed with prejudice in all respects, all parties thereto to bear their own costs and attorneys' fees, and all parties thereto waive all rights of appeal.

Dated: September 8, 1995

TINGLEY SYSTEMS, INC.,

By its attorneys,

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BAY STATE HEALTH MANAGEMENT INC.
BLUE CROSS AND BLUE SHIELD OF MASSACHUSETTS, INC.

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SO ORDERED this 12 day of September, 1995

/s/ Reginald C. Lindsay
Reginald C. Lindsay
United States District
Judge

I HEREBY CERTIFY THAT A TRUE COPY OF THE ABOVE DOCUMENT WAS SERVED UPON THE ATTORNEY OF RECORD FOR EACH OTHER PARTY BY MAIL-HAND ON Sept. 11, 1995 Marc Temin